



Mountsett Crematorium Joint Committee

Date **Friday 17 June 2011**
Time **10.00 am**
Venue **Bridges Room, Civic Suite - Gateshead Council**

Business

Part A

**[Items during which the Press and Public are welcome to attend.
Members of the Public can ask questions with the Chairman's
agreement]**

1. Membership of the Joint Committee
2. Appointment of Chair for the Ensuing year.
3. Appointment of Vice-Chair for the Ensuing year.
4. Declarations of Interest, if any.
5. Minutes of the Meeting held on 21st April 2011 (Pages 1 - 4)
6. Report of the Superintendent & Registrar (Pages 5 - 8)
7. Forward Plan 2011/12 (Pages 9 - 12)
8. Annual Internal Audit Report 2010/2011 (Pages 13 - 64)
9. Response to the 2010/2011 Internal Audit Report (Pages 65 - 68)
10. Review of the Effectiveness of the System of Internal Audit for 2010/11.
(Pages 69 - 98)
11. 2010/11 Annual Governance Statement (Pages 99 - 108)
12. Revenue Outturn & Statement of Accounts for the Year Ended 31
March 2011 (Pages 109 - 138)
13. 2010/11 Small Bodies Return (Pages 139 - 144)
14. Such other business as in the opinion of the Chairman of the meeting
is of sufficient urgency to warrant consideration.

Colette Longbottom
Head of Legal and Democratic Services

DURHAM COUNTY COUNCIL

At a Meeting of **Mountsett Crematorium Joint Committee** held in Council Chamber, County Hall, Durham on **Thursday 21 April 2011 at 11.00 am**

Present:

Councillor K. Dodds (Vice-Chair in the Chair)

Members of the Committee:

Durham County Council

Councillors A Bainbridge, J Docherty, M Hodgson, O Johnson and J Nicholson

Gateshead Council:

Councillors K Dodds (Vice-Chair), P Ronan and D Davidson

Apologies:

Apologies for absence were received from:-

Durham County Council

Councillors O Temple, J Hunter, B Stephens and J Wilson

Gateshead Council

Councillors M Gannon, M Ord, J Hamilton and M Wallace

1 Minutes of the Meeting held on 4th February 2011

The minutes of the meeting held on 4th February 2011 were approved as a correct record and signed by the Chairman.

2 Declarations of Interest, if any.

There were no declarations of interest submitted.

3 Financial Monitoring Report - Provisional Outturn as at 31 March 2011

The Head of Finance, HR and Business Support, Neighbourhood Services presented the report which set out details of income and expenditure in the period 1 April to 31 March 2011, the provisional outturn position for 2010/11, and highlighting areas of over / underspend against the revenue budgets at a service expenditure analysis level.

The report further detailed the funds and reserves of the Joint Committee at 1 April 2010 and the position at 31 March 2011, taking into account the provisional outturn projection of income and expenditure during the year.

Provisional Outturn was showing a surplus (before transfers to reserves and distribution of surpluses to the partner authorities) of £257,941 at the year end against a budgeted surplus of £244,890 (before transfers to reserves and distribution of surpluses to the partner authorities), £13,051 more than the budgeted position. Significant variances by subject analysis were then detailed as follows:-

Employees

A provisional underspend of £3,868 was reported based on current staffing levels. This was mainly due to the base budget assuming a 1% pay award (£884) which did not materialise. In addition to this, were savings of (£926) arising from revised winter working patterns and reductions in holiday cover payments (£2,098).

Premises

A provisional overspend of £20,907 was reported in respect of:

- Additional and unbudgeted premises repairs and maintenance costs (car parking resurfacing and fence works) had resulted in a £19,450 overspend in the year.
- Landscaping resulted in an overspend of £2,340.
- NNDR was forecast to exceed the budget by £3,747, this had also been altered in the 2011/12 budget.
- Utility costs (gas, electric and water) budgets were underspent by (£5,500)

Supplies and Services

An underspend of £19,103 on supplies and services expenditure was mainly due to:

- The Wesley Music system cost £2,300 more than the budget sum.
- The Mercury Abatement provision (£10,680), was not required during 2010/11 as payments would not be required during 2012/14.
- An element (£6,000) of the budget provision for Book of Remembrance purchase and calligraphy costs had not been required during 2010/11
- Postage, printing and stationary savings of (£2,200).
- Equipment budget savings of (£2,500).

Agency & Contracted

The underspend of £12,470 on Agency and Contracted expenditure was a result of Grounds Maintenance being undertaken by Crematorium staff rather than by staff employed within DCC Street Scene Area North.

Income

The previous outturn reported that whilst the 2010/11 budget assumed there would be 1,172 cremations in 2010/11, trend data in the first 9 months and discussions with local funeral directors, suggested a total of 1,114 cremations during 2010/11, resulting in an expected reduced income of £27,260 during the year. However in the final quarter this position had improved and cremation numbers had rebounded to an outturn of 1,168 cremations, giving a reduced budget pressure of £1,705.

Earmarked Reserves

Additional premises costs in relation to car park resurfacing, replacement fencing and landscaping, had previously been approved as being met from the Repairs

Reserve. This had resulted in a necessary contribution from the reserve of £24,110 rather than a contribution of £15,000 into the reserve as budgeted.

The contribution of £65,000 originally budgeted to the Cremator Reserve had increased to £117,161, as a result of savings made within the Supplies and Services, Agency and Contracted and Employees budget area resulting in a year end reserve of £277,573.

In conclusion it was reported that overall the earmarked reserves balance as at 31 March 2011 is forecasted to be £291,010, an in year increase of £93,051 or approximately 47% over the balances held at 31 March 2010.

Resolved: that the April 2010 to March 2011 Revenue spend financial monitoring report and associated provisional outturn position 2010/11 be noted.

PART B

Items during which it is considered the meeting will not be open to the public (consideration of exempt or confidential information)

4 Report of the Superintendent & Registrar

The Superintendent & Registrar presented the report which provided members with a quarterly update in relation to performance and other operational matters (for copy see file of minutes).

Fees & Charges Update

It was reported that at the last meeting of the committee in February 2011 a proposal was made by members to withdraw fees in respect of Non Viable Foetus. The proposal to levy a £9 charge was questioned in the context of any stillborn and children (not exceeding 16 years) cremations being free of charge. Whilst it was noted that fees had been harmonised with Central Durham Crematorium Joint Committee, members resolved to remove the £9 fee at Mountsett.

Following the meeting further discussion took place with the Superintendent & Registrar of Central Durham Crematorium, who advised that any fees in respect of the cremation of Non Viable Foetus were levied against local Health Trusts rather than the bereaved families.

Therefore taking into account the above Members were asked to reconsider re-instating the £9 fee.

Performance Update

The Superintendent & Registrar then went on to update members on performance.

With regard to the number of cremations undertaken during the period 1 January 2011 to 31 March 2011 inclusive, it was noted that there had been 369 cremations undertaken in the quarter compared to the comparable period last year an increase

of 77. The total number of cremations to 31 March 2011 was 1,168 compared with 1,212 in the previous year, this being a reduction of 44. The outturn compared previously to the reported annual forecast position of 1,114.

Operational Matters

Repairs and Maintenance:

With regard to repairs and maintenance it was reported that works to complete resurfacing of the car park and perimeter fence had now been completed. Work had come in under budgeted value, however had been delayed for a period due to the adverse weather over winter months.

Health and Safety:

As reported at the last meeting a safety walkway was to be installed above the ceiling to allow for safe access when engineers were working on the cremators. The work had been commissioned although a start date was awaited. The costs of the associated works was £1,445.04

Recycling of Orthopaedic Implants and Non-Ferrous Metals:

Delivery of the containers to store the recycled metals was awaited following agreement at the last meeting to participate in a scheme to reduce the Carbon footprint of the crematorium.

Potential for a Memorial Garden:

A business case was in the process of being developed and meetings had taken place with DCC staff who would provide further details including plans and costings for the project at the next meeting of the Joint Committee.

Resolved:- that Members noted the contents of the report with regards to current performance of the crematorium. In addition note and approve the proposed Non Viable Foetus cremation fee; and note updates in respect of Repairs and Maintenance, Health and Safety, Recycling of Orthopaedic Implants and Non-Ferrous Metals; and the potential for a Memorial Garden.

Mountsett Crematoria Joint Committee

17 June 2011

Report of the Superintendant and Registrar



Report of Ian Staplin, Superintendant and Registrar to the Mountsett Crematoria Joint Committee

Purpose of the Report

1. To provide members of the Mountsett Crematorium Joint Committee with a quarterly update relating to performance and other operational matters.

Performance Update:

Number of Cremations

2. The table below provides details of the number of cremations for the period 1st April 2011 to 31 May 2011 inclusive, with comparative data in the same periods last year:

	2010/2011	2011/2012	Change
	QTR1 [Apr-May]	QTR1 [Apr-May]	
APRIL	91	89	-2
MAY	90	103	+13
TOTAL	181	192	+11

Gateshead	54
Durham	117
Outside Area	21
Total	192

3. In summary there has been 192 cremations undertaken this quarter, compared to 181 in the comparable period last year an increase of 11.

Operational Matters

Recycling of Orthopaedic Implants and Non-Ferrous Metals

4. In the report to the Joint Committee 4th February 2011 agreement was to participate in this scheme to provide a convenient way to recycle precious metals and to reduce the carbon footprint of the Crematorium. The firm has been in contact and will be delivering the recycling bins when they carry out the next collection of metal in the North East of England in July.

Grounds Maintenance

5. We are now well into the grass cutting season for 2011 and pleased to report the continued positive comments from visitors regarding the grounds maintenance and the improved standards since the Joint Committee agreed the changes Spring 2010.

Potential for a Memorial Garden

6. In the report to the Joint Committee 4th February 2011 agreement was to the development of a business case for the creation of a Memorial Garden.
7. In the intervening time some initial plans have been drawn up and through further discussion with the Chair (Cllr Temple) another option is being developed and all options will be presented at the next meeting for the Joint Committee's consideration.

Recommendations and Reasons

8. It is recommended that Member of the Mountsett Joint Committee:-
 - Note the content of this report with regards to current performance of the crematorium.
 - Note the progress with regards to the recycling of orthopaedic implants and non-ferrous metals.
 - Note the continual improvements in relation to the Grounds Maintenance to the crematorium.
 - Note the Progress made with regards to the memorial garden.

Background Papers:

None

Contact:	Ian Staplin, Superintendent and Registrar
Tel:	01207 570255

Appendix 1: Implications

Finance - As identified in the report

Staffing - There are no staffing implications associated with this report.

Risk - None

Equality and Diversity - None

Accommodation - There are no Accommodation implications associated with this report.

Crime and Disorder - There are no Crime and Disorder implications associated with this report.

Human Rights - None

Consultation - None

Procurement - None

Disability Discrimination Act - None

Legal Implications - As outlined in the report

This page is intentionally left blank

Mountsett Crematoria Joint Committee



17 June 2011

Forward Plan 2011 / 2012



Joint Report of Terry Collins – Corporate Director: Neighbourhood Services; Don McLure – Corporate Director: Resources & Treasurer to the Joint Committee

Purpose of the Report

1. The purpose of this report is to set out proposals with regards to a suggested forward plan of meetings of the Joint Committee for the remainder of 2011 / 2012.

Forward Plan 2011 / 2012

2. Members will be aware that following Local Government Review in County Durham, and in response to External; Audit comments in 2009 / 2010, meetings of the Joint Committee have been held on a more regular basis. The purpose of the meetings in year being to monitor financial and other performance data and provide effective governance over the Mountsett Crematorium.
3. A proposed schedule of meetings for the remainder of 2011 / 2012, showing a forward plan of reports that will be presented, is attached at Appendix 2.

Recommendations and Reasons

4. That Members approve the proposed schedule of meetings as set out at Appendix 2.

Background Papers

- None

Contact(s): Paul Darby 0191 383 6594

Appendix 1: Implications

Finance

There are no financial implications associated with this report. Routine monitoring of budgetary control information and annual budget and fees and charges setting processes are factored into the Forward Plan.

Staffing

There are no staffing implications associated with this report.

Risk

There are no risk implications associated with this report.

Equality and Diversity

There are no equality and diversity implications associated with this report. Equality Impact Assessments, where appropriate, are undertaken as a matter of routine part of the development of any new policy or policy change.

Accommodation

There are no Accommodation implications associated with this report.

Crime and Disorder

There are no Crime and Disorder implications associated with this report.

Human Rights

There are no implications associated with this report.

Consultation

None. However, officers of Gateshead Council were provided with a copy of the report and given opportunity to comment / raise any detailed questions on the content of the report in advance of circulation to members of the Mountsett Crematorium.

Procurement

There are no implications associated with this report.

Disability Discrimination Act

There are no implications associated with this report.

Legal Implications

There are no implications associated with this report.

Appendix 2: Forward Plan : 2011 / 2012 Meetings

Meeting Date	Location	Reports to Consider	Report of
29/07/2011	Beaumont Room, County Hall	Quarterly Report of the Superintendent & Registrar + Business Case for the Development of a Memorial Garden	Joint Report of Corporate Director of Neighbourhoods & Corporate Services
		Financial Monitoring Report 2011/12: Spend to 30/06/11 and Projected Outturn to 31/03/12	Joint Report of Corporate Director of Neighbourhood Services & Resources + Treasurer to the Joint Committee
30/09/2011	Committee Room 1B, County Hall, Durham	External Auditors Report : 2010/11 Accounts	Report of Corporate Director of Resources + Treasurer to the Joint Committee
		Quarterly Report of the Superintendent & Registrar	Report of Corporate Director of Neighbourhood Services
		Risk Register 2011/12 - Update	Joint Report of Corporate Director of Neighbourhood Services & Resources + Treasurer to the Joint Committee
		Financial Monitoring Report 2011/12: Spend to 31/08/11 and Projected Outturn to 31/03/12	Joint Report of Corporate Director of Neighbourhood Services & Resources + Treasurer to the Joint Committee
27/01/12	Civic Centre, Gateshead	Quarterly Report of the Superintendent & Registrar	Report of Corporate Director of Neighbourhood Services
		Risk Register 2011/12 - Update	Joint Report of Corporate Director of Neighbourhood Services & Resources + Treasurer to the Joint Committee
		Financial Monitoring Report 2011/12: Spend to 31/12/11 and Projected Outturn to 31/03/12	Joint Report of Corporate Director of Neighbourhood Services & Resources + Treasurer to the Joint Committee
		Service Asset Management Plan 2012/13 to 2015/16	Joint Report of Corporate Director of Neighbourhood Services & Resources + Treasurer to the Joint Committee

Meeting Date	Location	Reports to Consider	Report of
		Fees and Charges 2012/13	Joint Report of Corporate Director of Neighbourhood Services & Resources + Treasurer to the Joint Committee
		2012/13 Revenue and Capital Budgets	Joint Report of Corporate Director of Neighbourhood Services & Resources + Treasurer to the Joint Committee
		Review of the Effectiveness of Internal Audit	Report of Corporate Director of Resources + Treasurer to the Joint Committee
27/04/2012	Civic Centre, Gateshead	Quarterly Report of the Superintendant & Registrar	Report of Corporate Director of Neighbourhood Services
		Financial Monitoring Report 2011/12: Provisional Outturn – Revenue and Capital	Joint Report of Corporate Director of Neighbourhood Services & Resources + Treasurer to the Joint Committee
		Annual Internal Audit Report 2011/12	Report of Corporate Director of Resources + Treasurer to the Joint Committee
		Response to the 2011/12 Internal Audit report	Joint Report of Corporate Director of Neighbourhood Services & Resources + Treasurer to the Joint Committee
15/06/2012	Committee Room 1A, County Hall, Durham	Quarterly Report of the Superintendant & Registrar	Report of Corporate Director of Neighbourhood Services
		Annual Governance Statement 2011/12	Joint Report of Corporate Director of Neighbourhood Services & Resources + Treasurer to the Joint Committee
		Revenue Outturn and Statement of Accounts for the Year Ended 31/03/2012	Joint Report of Corporate Director of Neighbourhood Services & Resources + Treasurer to the Joint Committee

**Mountsett Crematorium Joint
Committee**

17 June 2011

**Annual Internal Audit Report
2010 / 2011**

**Report of the Manager of Internal Audit
& Risk**



Don McLure, Corporate Director Resources

Purpose of the Report

1. The purpose of this report is to present for Members consideration the Mountsett Crematorium Joint Committee Annual Internal Audit Report for 2010 / 2011 (attached at Appendix 2).

Background

2. The Joint Committee has a responsibility for maintaining sound systems of internal control that support the achievement of its objectives and for reviewing their effectiveness.
3. The Joint Committee has in place a Service Level Agreement (agreed 4th February 2011) with Durham County Council's Internal Audit Service for the provision of Internal Audit services for the period 1st April 2010 to 31st March 2014.
4. This report fulfils the requirement of the CIPFA Code of Practice for Internal Audit in Local Government in the UK (2006) for the Head of Internal Audit to provide, "a written report to those charged with governance (the Joint Committee) timed to support the Statement of Internal Control", which is now incorporated as part of the Joint Committee's Annual Governance statement (AGS).
5. The Annual Internal Audit Report should therefore be considered in the context of fulfilling the requirement to provide an opinion on the overall adequacy and effectiveness of the Joint Committee's control environment during the year, and how this opinion has been derived. This is in compliance with professional guidelines and in accordance with the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations (Amendment) (England) 2006.
6. The opinion on the control environment and any significant issues arising will be reflected in the Joint Committee's Annual Government Statement (AGS) which will be published as part of the Joint Committee's Annual Statement of Accounts for 2010/11.

7. As part of our work programme for the year we carried out an annual review of the Crematorium during March 2011, in accordance with the terms of reference agreed with the Crematorium Superintendent and Registrar. There were only a number of minor issues arising from the 2010/11 audit and all recommendations made have been agreed by Management. The final report was issued on the 23rd May 2011 and is included in Appendix 2 (Annex 3).
8. All recommendations relating to the 2009/10 audit have now been fully implemented.
9. The Assurance level for the review has been classed as **Substantial**. This means that the control systems in place are working effectively but Internal Audit have identified some low risk, minor weaknesses which if addressed will further assist the Crematorium Superintendent and Registrar in meeting the Joint Committee's system objectives.

Recommendations

10. It is recommended that the Annual Internal Audit Report and the overall opinion provided on the adequacy and effectiveness of the Joint Committee's control environment for 2010/11 is noted.
11. It is also recommended that the Joint Committee approve the revised Internal Audit Charter, programme of work and level of fees for 2011/12 as set out in the annexes to the Annual Internal Audit Report.

Background Documents

SLA Report to the Joint Committee

CIPFA checklists

Internal Audit Charter, Internal Audit Report 2009/10 and 2010/11

Joint Committee Annual Audit letter

Contact: Peter Jackson Tel: 0191 383 4872

Appendix 1: Implications

Finance

There are no direct financial implications arising for the Joint Committee as a result of this report, although we aim through our audit planning arrangements to review areas outlined in the Service Level Agreement in operation and ensure through our broad programme of work that the Joint Committee has made safe and efficient arrangements for the proper administration of its financial affairs.

Staffing

None

Risk

The Internal Audit programme of work has been devised using a risk based audit approach which is dependent on an assessment of known risks and the reliability of other assurance sources.

Equality and Diversity

None

Accommodation

None

Crime and disorder

None

Human rights

None

Consultation

None

Procurement

None

Disability Discrimination Act

None

Legal Implications

This report is in accordance with the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations (Amendment) (England) 2006, and fulfils the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the UK (2006)



**MOUNTSETT
CREMATORIUM JOINT
COMMITTEE
INTERNAL AUDIT
ANNUAL REPORT**

LIST OF CONTENTS

	PAGE
Introduction	3
Service Provided and Audit Methodology	3
Audit Quality Assurance Framework	4
Summary of work carried out	5
Key Areas for Opinion	9
Audit Opinion Statement	11

Appendices

- Annex 1: Internal Audit Charter
- Annex 2 Summary of expected Audit coverage for 2011/12
- Annex 3 Annual review of the Mountsett Crematorium
- Annex 4: Corporate Governance checklist

Introduction

1. This report summarises work carried out by Internal Audit during 2010/11 and provides an independent opinion on the assurance on the effectiveness of the Joint Committee's control environment, risk management and corporate governance arrangements.
2. Our primary objective is the provision of reasonable, not absolute, evidence based assurance on the effectiveness of the whole of the Crematorium's risk management, control and governance environment to the Joint Committee in accordance with the Service Level Agreement.
3. All work carried out is in accordance with proper internal control practice for internal audit as described within the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom
4. This report fulfils the requirement of the CIPFA Code of Practice for the Head of Internal Audit to provide, "a written report to those charged with governance timed to support the Statement of Internal Control", which is now incorporated as part of the Joint Committee's Annual Governance statement.

Service Provided and Audit Methodology

5. Internal Audit is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations.
6. The primary objective of Internal Audit is to provide an independent and objective opinion on the Joint Committee's control environment.
7. The Internal Audit Charter, agreed by the Joint Committee, establishes and defines the role, authority, scope of audit work, organisational independence, resource requirements, and reporting lines of Internal Audit. This was reviewed during the year to reflect changes in the audit process to a more risk based approach and is attached at Annex 1 for Joint Committee approval.
8. This report will describe the work carried out during the year as set out in Schedule 1 of the Service Level Agreement under the following headings:-
 - Management and Assurance
 - Advice
 - Risk Management
 - Corporate Governance
 - Counter Fraud
 - Value for Money reviews.

9. We will also compare the actual number of days spent on internal audit, risk management and Corporate Governance work during 2010/11 with that planned together with an explanation for any variance.
10. A proposed plan of internal audit work for 2011/12 is also included for consideration by the Joint Committee.

Audit Quality Assurance Framework

11. Terms of reference for each audit review are agreed with the Crematorium Superintendent and Registrar who is also given the opportunity to challenge the findings and content of draft reports prior to them being finalised.
12. The Crematorium Superintendent and Registrar will review the work of internal audit by completing and returning the Internal Audit satisfaction survey.
13. The Accounts and Audit (England) Regulation 2011 requires the Joint Committee to carry out an annual review of the effectiveness of Internal Audit. To ensure that this review is carried out independently of the service the Head of Finance, HR and Business Support has carried out this review. The outcome will be reported to the Joint Committee in a separate report.
14. Independent quality reviews are undertaken by audit managers as a matter of routine and periodically by the Head of Internal Audit to ensure consistent application of agreed processes and procedures and to ensure expected quality standards are maintained.
15. The external auditor, although no longer required to carry out a formal tri-annual review of the effectiveness of internal audit, carries out brief periodic reviews as part of the final accounts audit process.
16. The Durham County Council Internal Audit Service continues to be a member of the CIPFA Audit Benchmarking Club. 2009/10 was the first year comparative unitary data was available. The outcomes, reported to the Council's Audit Committee in October 2010, indicated that the cost of the service was well below average. Performance, in terms of chargeable days, was also below average. The latter was considered primarily due to the move to unitary status and the need to develop and embed consistent policies and procedures. The need to reduce controllable overheads has been recognised as an area for improvement and is being addressed. Comparative Data for the last 5 years is shown in the table below.

17. Comparative Data

	2005/06	2006/07	2007/08	2008/09	2009/10
DCC In house cost	£592k	£525k	£571k	£732k	1,330k
FTE auditors	14.2	13.1	13.5	13.8	30.6
DCC Cost per auditor	£41,829	£40,076	£42,296	£52,945	£43,464
Average	£49,823	£51,796	£53,250	£55,659	£46,830
Chargeable days per auditor	170	161	164	158	167
Average	167	168	166	173	171

Comparator Authorities are Bristol, Middlesbrough, North Yorkshire, Sunderland, Cumbria, Lancashire, Northumberland, Newcastle and Wiltshire.

Summary of Audit Work Carried Out

Management and Assurance Work

18. During the past year Internal audit have continued to provide an independent and impartial service in accordance with best professional practice as outlined by CIPFA's Code of Internal Audit Practice in Local Government in the UK 2006, and other professional bodies as considered relevant.

Internal Audit Charter

19. In accordance with the SLA an annual review of the Internal Audit Charter has been carried out, which sets out the terms of reference and audit strategy of how the Service is to be delivered. The amended Charter includes changes to reflect a more risk based approach to the audit process and is attached at Annex 1

Strategic Audit Plan

20. The strategic audit plan has been amended in an effort to focus scarce audit resources in the most cost effective way. Strategic risk registers inform but not drive the internal planning process and we will now audit those risks where controls have been identified as the means of managing the risk. Priority will be given to those risks which have a high gross score and a low net score, where the effective management of the risk is heavily dependent on the identified controls, and there is little or no other source of assurance.

Annual Audit Plan 2011/12 Preparatory Work

21. In respect of the annual audit plan for 2011/12 minimum assurance levels will be informed by the maturity of the Crematorium's risk management arrangements its risk appetite and the reliance that can be placed on other assurance sources. Operational risks relating to key service activities and key systems will be audited annually dependent on an audit assessment of known risks and the reliability of other assurance sources.
22. We will adopt a risk based approach to evaluate the effectiveness of controls designed to mitigate risks through substantive testing and/ or compliance testing. Compliance testing will confirm if a control actually exists and substantive testing will provide assurance that the control is effective and / or is consistently applied. The level of testing will be relative to the impact and likelihood of the risk occurring due to a control weakness.
23. We will work with the Crematorium Superintendent and Registrar to help embed effective risk management of operational risks by supporting them to carry out a control risk self assessment (CRSA) for each audit area subject to review in advance of each assurance audit.
24. We will agree the objectives and risks associated with each key system or service delivery area to be reviewed with the Crematorium Superintendent and Registrar prior to the start of any audit to ensure that the scope and objectives of each review are focused on providing assurance on the high or significant risks identified through the CRSA. Terms of reference will be issued to the Crematorium Superintendent and Registrar to formally agree the scope of each review, in respect of identified key risks, potential impact and expected key controls.
25. As the budget had already been set for the Joint Committee before entering into the Service Level Agreement in 2010/11 it was agreed with the Committee that the cost of audit, risk management and governance work for this year would be recharged in accordance with existing arrangements. From 2011/12 onwards all time will be charged at the daily rate of £250.00 that has already been agreed.
26. To increase accountability in the future; internal audit will also record actual time spent for each of the individual areas shown in the proposed plan of work and this will be compared with the expected plan as part of the Annual report.
27. For information the number of days work carried out in 2010/11 compared to the proposed plan is shown below:-

Area	2010/11 proposed	2010/11 actual	Reason for variance
Internal Audit	20	18	Contingency not required
Risk Management	1	1	
Corporate Governance	1	1	

28. In 2011/12 terms of reference will confirm the scope of each review and the audit approach to be applied. The latter may vary due to the nature of the risk upon which assurance is required and the extent of reliance on other assurance sources.
29. A summary of expected Audit coverage for 2011/12 is attached at Annex 2 for the Joint Committee's consideration.

Annual Review of the Crematorium.

30. Our work programme for the year was agreed by the Joint Committee on the 4th February 2011 and the SLA included an annual review of the Crematorium which was carried out during March 2011 in accordance with the terms of reference agreed with the Crematorium Superintendent. All recommendations have been agreed by Management and the final report was issued on the 23rd May 2011. See Annex 3
31. All recommendations relating to the 2009/10 audit have been fully implemented.
32. There were only a number of minor issues arising from the 2010/11 audit.
33. The Assurance level for the review has been classed as **Substantial**. This means that the control systems in place are working effectively but Internal Audit have identified some low risk, minor weaknesses which if addressed will further assist the Crematorium Superintendent and Registrar in meeting the joint Committee's system objectives.

Follow Ups

34. Follow ups in implementing agreed audit recommendations have been carried out in accordance with the Audit Charter.
35. The recent report to the Joint Committee in February 2011 on progress against outstanding Internal Audit and External Audit recommendations is a positive step forward and Internal Audit welcome this improvement in the monitoring process.

Advice

36. Help and advice for the Crematorium Superintendent and Registrar and his staff has been available/provided on an ad hoc basis during the year.

Risk Management

37. The Risk Register considered and approved by the Joint Committee in September 2010 has been reviewed, reassessed and updated in accordance with the Durham County Council methodology/approach to Risk Management in January 2011.
38. All risk actions have now been completed with the exception of one, Risk 8 "Slips trips and falls" one action remains outstanding. The action to carry out training in risk assessments for ladder duties had been arranged but the course was cancelled. The training is to be re-arranged and as a result the timescale for this action has been amended.
39. No new emerging risks were identified during the review.

Embedding Risk Management

40. In order to ensure that risk management continues to be embedded and that the risk register is kept up to date, regular reviews will need to continue to be carried out to ensure any new and emerging risks are identified, existing risks are removed if no longer appropriate and existing risks are reviewed taking into account current issues.

Corporate Governance

41. Internal Audit has undertaken work aimed to provide assurance on the effectiveness of key corporate governance policies and procedures, both in a compliance and an advice and consultancy role. The Joint Committee's corporate governance arrangements have also been reviewed using a pre determined check list incorporating the 6 principle areas considered for effective governance. See Annex 4.
42. Mountsett Crematorium Joint Committee has adopted and operates under the Code of Corporate Governance, policies and strategies including contract Procedure rules, Financial Procedure rules, financial regulations, developed agreed and adopted by Durham County Council, its lead authority. Separate declarations of interest have also been submitted.
43. The Governance framework comprises the systems, processes, culture and values by which the Mountsett Crematorium Joint Committee directs and controls its activities through which it accounts to, engages with and leads the community. It enables the Committee to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

44. I can conclude that from the work carried out the Mountsett Crematorium Joint Committee has appropriate Corporate Governance arrangements in place and that they are working effectively.

Counter Fraud

45. A number of counter fraud measures have been introduced by Durham County Council's Internal Audit service during the year to raise awareness. This has included the printing of leaflets for distribution at customer service points and other public places, specific targeted literature to Heads of Service and Line Managers, and updating of the Council's Intranet and web site.

Value for Money

46. There has been no formal value for money work carried out in 2010/11 on behalf of the Mountsett Crematorium Joint Committee

Key Areas for Opinion

47. The key areas of the control environment where assurance is required to inform our overall opinion are:
- Financial Management
 - Risk Management
 - Corporate Governance
48. Assurance has been provided on all aspects of the Crematorium's Financial Management arrangements during the year.
49. Independent assurance on the effectiveness of the Crematorium's risk management arrangements has been provided by Durham County Council's risk management service. The review concluded that overall risk management arrangements are robust and effective, work well and are of benefit to the managers that use it.
50. Internal audit have reviewed the overall risk management processes in place and found these to be working effectively.
51. A full description of the Governance framework currently in place is contained within the Committee's Annual Governance Statement appended to the 2010/11 Statement of Accounts. There were two significant governance issues reported for the year ending 31st March 2010.
- Recording of Income – Fully implemented. The Crematorium Superintendent now reconciles all income from the source recording document to the Interim FMS which in turn is reconciled by Financial Services to Durham County Council FMS. Any miscoding is highlighted and corrected via the robust Budgetary Control processes in place.

- Contaminated Bodies – Procedures. Fully implemented. In conjunction with the Central Durham Crematorium, the Superintendent & Registrar has been working with a consultant in Communicable Disease at the Health Protection Agency in Newcastle upon Tyne to provide a framework for any action necessary around contaminated body disposals. Initial processes have been put in place in that, upon notification of a contaminated body to be cremated, contact is to be made with the Health Protection Agency, whereby advice will be given on a case by case basis.

The following action has also been added to the operational risk register: “Such directions as may be given by the Health Protection Agency will be adhered to”. Procedures have been put in place to ensure that, in the event of the receipt or potential receipt of a contaminated body, staff are aware of the need to contact the Health Protection Agency to seek advice and to make appropriate records of and act on that advice.

52. The External Auditors Annual return for 2009/10 did not highlight any material weaknesses in internal control, minor issues relating to the review of the effectiveness of internal audit were identified. This was in addition to the two areas of weakness identified by internal audit as part of their annual review which are shown above.

53. A review of the recommendations made in order to strengthen internal control arrangements was presented to the Joint Committee in January 2011. For consistency purposes recommendations made by the Audit Commission for the Central Durham Crematorium were also considered. It was recommended that Members note the progress made with regards to addressing the External Audit recommendations arising from the Annual Governance report and Annual Audit letter for 2009/10

54. A further update is shown in the Table below.

Recommendation	Progress
Recording of income to improve the financial systems of the Joint Committee.	Fully implemented
Review the effectiveness of internal audit	Fully implemented
Adoption of Lead Authority Member Code of Conduct	Fully implemented
Declarations of Interest	Fully implemented
A written record prepared between Durham County Council and the Committee setting out the terms of the Treasury Management Arrangements	Fully implemented

55. There are no significant issues arising from the work carried out in 2010/11 that warrants inclusion in the 2010/11 Annual Governance Statement.
56. Independent assurance is also provided on the effectiveness of the Council's Corporate governance arrangements through a number of external sources/inspection bodies. A summary of these is provided in the following table:

Other Assurance Sources
External Audit's Annual Audit Letter and Annual Governance Report – no major issues identified. VFM opinion – there are adequate arrangements in place to secure value for money.
Independent testing of all cremators and equipment is carried out annually.
The Crematorium is licensed and is regulated by Durham County Council's Environmental Monitoring section. Regular progress reports are provided to the regulator regarding compliance with emissions.
The Crematorium Superintendent is a member of the Northern branch of the Institute of Cemeteries and Crematoria
Crematorium charges are regularly benchmarked against other Crematoria.
The Crematorium Superintendent must provide an annual statement to the Federation of Burial and Cremation Authorities that they have complied with the Federations Code of practice set out during the year.
The Ministry of Justice can inspect Crematorium premises at any time, although this is normally carried out by the Regulator on their behalf
IIP Standard retained

Audit Opinion Statement

57. The Joint Committee has responsibility for maintaining a sound system of internal control that supports the achieving of its objectives.
58. Internal Audit is required to provide an opinion on the Joint Committee's risk management, control and governance process.
59. In giving this opinion it should be noted that assurance can never be absolute and therefore only reasonable assurance can be provided that there are no major weaknesses in these processes.
60. In assessing the level of assurance to be given, we based our opinion on:
- The audit review of the Mountsett Crematorium undertaken during the year
 - Follow up action on audit recommendations
 - Any significant recommendations not accepted by management and the consequent risk

- The effects of any significant changes in the Crematorium's systems
- Matters arising from previous reports to the Joint Committee
- Any limitations which may have been placed on the scope of internal audit's annual review.
- The extent to which resource constraints may impinge on internal audit's ability to meet the full audit needs of the Joint Committee
- The outcomes of the audit quality assurance process
- Consideration of other sources of assurance
- We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Joint Committee's system of internal control. Based on the work undertaken, we are able to provide a Substantial overall assurance opinion on the adequacy and effectiveness of internal control operating across the operations of the Mountsett Crematorium in 2010/11. This means that overall the control systems in place are working effectively. Some low risk, minor weaknesses have been identified which if addressed will further assist the Crematorium Superintendent and Registrar in meeting the joint Committee's system objectives.

61. Where Internal Audit has identified areas for improvement, recommendations were made to minimise the level of risk, and action plans for their implementation were drawn up and agreed by management.



MOUNTSETT CREMATORIUM JOINT COMMITTEE INTERNAL AUDIT CHARTER

MAY 2011

CONTENTS

Page No.

Introduction	3
Statutory Basis	3
Definition	3
Strategic Aims	3
Objectives of Internal Audit	4
Outcomes of Internal Audit	5
Independence of Internal Audit	5
Scope of Audit Work	6
Strategic Audit Planning	7
Annual Audit Plans	8
Audit Approach	10
Audit Reporting	11
Responsibilities of Managers	13
Audit resources, skills and service quality	14
Approval and Review	16
Key Contact	16
Other Related Documents	17

Introduction

- 1 This Charter forms part of Durham County Council's corporate Audit Strategy and is designed to establish the terms of reference for Durham County Council's Internal Audit Service and outline how that service will be delivered in relation to the Crematorium.

Statutory Basis

1. Durham County Council is responsible for maintaining an adequate and effective Internal Audit function under the Accounts and Audit Regulations 2006. The guidance accompanying this legislation states that proper internal control practices for Internal Audit are those contained within CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.
2. Our statutory responsibility and rights of access are included in Durham County Council's Financial Regulations, Financial Standards and Financial Procedure notes which are part of the Council's Constitution and which have been adopted by the Crematorium Committee.

Definition

3. The CIPFA Code of Practice for Internal Audit 2006 defines Internal Audit as:
4. "An assurance function that provides an independent and objective opinion to the organisation on risk management, control and governance **by evaluating their effectiveness in achieving the organisations objectives**. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources".

Strategic Aims

5. Our overall strategy is to support the Crematorium Committee in its strategic aims and objectives through the provision of a high quality internal audit service that gives the Committee reasonable assurance on the effectiveness of the Crematorium's internal control environment and acts as an agent for change by making recommendations for continual improvement. The Internal Audit Service aims to be flexible, pragmatic and to work in collaboration with the Committee to suit organisational needs. Through a risk based approach to audit planning, the Internal Audit Service will make a positive contribution to corporate governance arrangements and assist the Committee in developing a framework for achieving its objectives within acceptable levels of risk.

Objectives of Internal Audit

6. Our primary objective is the provision of reasonable, not absolute, evidence based assurance on the effectiveness of the whole of the Crematorium's risk management, control and governance environment to the Crematorium Committee.
7. The provision of our annual assurance opinion will be in compliance with professional guidelines and in accordance with the Accounts and Audit regulations 2003 as amended by the Accounts and Audit Regulations (Amendment) (England) 2006 and will be included in the Crematorium Committee's Annual Governance Statement which forms part of their published annual Statement of Accounts.
8. To determine the audit opinion the internal audit service will review, appraise and report upon:
 - The adequacy of risk identification, assessment and mitigation
 - The adequacy and application of controls to mitigate identified risk
 - The adequacy and extent of compliance with the Crematorium's corporate governance framework
 - The extent of compliance with relevant legislation
 - The extent to which the Crematorium's assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money.
 - The quality and integrity of financial and other management information utilised within the Crematorium's day to day operations.
9. When presenting the annual audit opinion the Head of Internal Audit will:
 - Disclose any qualification to that opinion, together with the reasons for that qualification
 - Present a summary of the audit work undertaken from which the opinion is derived, including reliance placed on the work of others
 - Draw attention to any issues considered particularly relevant to the preparation of the Annual Governance Statement
 - Compare the work actually undertaken to the work that was planned and summarise the performance of the internal audit service
 - Comment on compliance with the CIPFA Code of Practice for internal audit

10. Other objectives include:

- Supporting the Treasurer of the Crematorium in discharging his/her duties for ensuring the proper administration of the Crematorium Committee's financial affairs.
- Supporting the Committee to deliver good governance by helping to improve the Committee's risk management, control and governance processes by providing the Crematorium Committee with timely advice and guidance as required.
- Supporting the Crematorium Committee in fulfilling their governance responsibilities as detailed in the Committee's terms of reference set out in its Constitution.
- Supporting Officers and Members in identifying and understanding exposure to risk and providing advice on control design, techniques and strategies.
- Working with other assurance and review bodies to ascertain the extent to which reliance can be placed on the work of other auditors and inspectorates to maximise assurance and the effectiveness of audit resources available.
- Helping to promote a strong counter fraud culture through the adoption of Durham County Council's Counter fraud and Corruption Strategy and Anti-Money Laundering policy.
- Providing quality services through the highest standards of professional practice, quality assurance systems and investment in staff.

Outcomes of Internal Audit

11. Our main outcome is the provision of independent assurance to the Mountsett Crematorium Joint Committee on the effectiveness or otherwise of its risk management, control and governance arrangements and in so doing we contribute to:

- Improved identification and management of risks contributing to improved performance management and the successful achievement of the Mountsett Crematorium Joint Committee's vision and priorities.
- Improved corporate governance through helping to support compliance with relevant legislation, policies, plans and procedures.
- Improved accountability, and the safeguarding of Mountsett Crematorium Joint Committee's assets and interests.
- Improved quality and reliability of financial and other management information used to support informed decisions

Independence of Internal Audit

12. To be effective Internal Audit must operate independently and have unrestricted access to all records deemed necessary in the course of our work.
13. As the Mountsett Crematorium Joint Committee has adopted Durham County Council's Financial Regulations, Financial Management Standards and Financial Procedure Rules this allows Internal Audit a right of access to all information relevant to the Crematorium's functions and services which is necessary to meet our responsibilities. Specifically this includes a right to:
 - Access all assets, property, staff, records, documents, information (including computer files) correspondence and control systems.
 - Receive any information and explanation considered necessary concerning any matter under consideration for the effective performance of the audit subject to legal constraints. Although prior notice of requests for access will be given in most instances, there may be occasions when this is not possible or appropriate and the absence of prior notice does not invalidate or limit the right of access.
 - Require any employee of the Committee to account for cash, stores or any other Committee asset under his/her control. (This includes Crematorium information held by or managed by third parties on the Committee's behalf.)
 - Direct access to the Mountsett Crematorium Joint Committee.
14. The Head of Internal Audit can report directly to those charged with governance, officers or Members, at any level.
15. Our independence is achieved by reporting in our own name, ensuring that all Internal Auditors are free from any conflicts of interest and being free from direct management responsibility for the development, implementation or operations of systems.

Scope of Audit Work

16. Our role applies to all functions and services for which the Committee is responsible.
17. In addition to the regular review of all key systems of internal control which forms the bulk of our assurance work, we will:

- Respond to requests for support, advice and guidance on implementing and/or improving best practice control procedures for current and new systems.
 - Promote the development and effective implementation of Control Risk Self Assessments
 - Provide support, advice and guidance on risk and controls to staff involved in the design and implementation of new systems and processes.
 - Provide assistance on key projects, including attendance on project boards, and conduct specialist consultancy and value for money reviews. The scope of this work will be agreed with the Committee and is subject to having the necessary resources, skills and ensuring suitable assurance over our independence and objectivity.
 - Be alert in all our work to risks and exposure that could allow fraud or corruption to occur and to any indications that a fraudulent or corrupt practice may have been occurring.
 - Determine the most appropriate course of action by which fraud and irregularities should be investigated.
 - Review the effectiveness of the Committee's, corporate governance and risk management arrangements.
18. It must be noted that whilst Internal Audit will promote Durham County Council's counter fraud policy (which has been adopted by the Committee) to deter and prevent fraud, for example participating in the National Fraud Initiative, it does not have responsibility for the prevention and detection of fraud and corruption. We cannot guarantee that fraud or corruption will be detected in our work. Managing the risk of fraud and corruption is the responsibility of managers.

Strategic Audit Planning

19. The level of Internal Audit resources required to examine all of the Crematorium's activities will be agreed on an annual basis but must ensure that sufficient work is undertaken each year to draw reasonable conclusion and assurance on the effectiveness of the Crematorium's risk management, control and governance arrangements.
20. Our strategic planning process aims to provide a reasonable level of independent review of the Crematorium's risk management, control and governance systems in a way which affords suitable priority to the Committee's objectives and risks.

21. The starting point for our strategic planning is understanding the Committee's strategic aims and objectives, its corporate governance arrangements and the assurance framework in place by which those charged with governance gain confidence that any risks which may impact on the achievement of those aims and objectives are effectively identified, assessed and managed.

22. In consultation with the Crematorium Superintendent we will:

- Consider the Crematorium's risk across two categories:
 - a. **Strategic Risks** - these are the high level risks that may arise both internally and externally from the Council and should be included in Corporate and Service Strategic Risk Registers
 - b. **Operational Risks** - these are the risks that arise directly from the core activities of delivering services that may not always be documented
- Identify key service delivery activities, and their objectives in supporting the delivery of the Committee's strategic aims and objectives, on which independent assurance is required.
- Review the assurance arrangements in place to clearly map out an integrated assurance framework of all known sources of assurance, independent or otherwise, and identify any gaps and duplication
- Assess the reliability of other assurance sources
- Regularly risk assess each key service activity, and key systems that supports the delivery of service objectives, to determine our priorities for reviewing operational risks.

23. Strategic risk registers will inform but not drive the internal planning process and we will audit those risks where controls have been identified as the means of managing the risk. Priority will be given to those risks which have a high gross score and a low net score, where the effective management of the risk is heavily dependent on the identified controls, and there is little or no other source of assurance.

24. Assurance on the strategic risk of fraud and corruption will be provided each year with some specific targeted fraud prevention and detection reviews as part of a risk assessed counter fraud programme of work.

25. Operational risks relating to key service activities and key systems will be audited annually dependent on an audit assessment of known risks and the reliability of other assurance sources.

Annual Audit Plans

26. The Crematorium's systems and processes both financial and non financial (including such sub systems and support services that the Crematorium relies upon on a day to day basis) will be reviewed annually to provide a reasonable level of assurance on both strategic and operational risks and to enable an annual opinion on the entire control environment to be given. In areas which are cross cutting (such as salaries and wages, creditors and debtors) assurance can be two fold overall assurance on these main financial systems can be provided by the actual audit review work carried out directly, however, where full assurance cannot be obtained this will be supplemented by testing specific transactions relating to those areas which directly impact on the Crematorium's operations.
27. The preparation of the annual plan will also consider any strategic objectives of the service in relation to delivering any commitments under Service Level Agreements or undertaking certain reviews at particular frequencies to fulfil statutory requirements. Agreement to annual audit plans will be submitted for approval by the Committee before the start of each audit year.
28. In addition to our risk based assurance reviews, our annual audit plans will also include provision for our advice and consultancy role. This provision covers time set aside for reactive and proactive work and value added work and includes:
- Proactive, responsive and innovative solutions to problems and opportunities to help the Committee achieve its business objectives.
 - Timely response to ad hoc requests for advice on the identification, assessment and mitigation of risks through effective controls.
 - Timely response to ad hoc requests for advice on the impact of proposed policy initiatives, programmes and projects as well as responses to emerging risks
 - Planned involvement in new initiatives or working groups established to help identify and access risk and design suitable controls.
 - Undertaking VFM reviews in accordance with the Committee's VFM strategy.
 - Investigation of irregularities and suspected fraud and corruption
29. The level of audit resources required to deliver, at the very least, both a minimum level of independent assurance and adequate provision for advice

and consultancy will be considered by the Head of Internal Audit. Minimum assurance levels will be informed by the maturity of the Crematorium's risk management arrangements and its risk appetite and the reliance that can be placed on other assurance sources. Any concerns the Head of Internal has over the quantity and quality of skills available to deliver the required level of assurance, or to add value through its advice and consultancy work, will be referred to the Treasurer, and the Mountsett Crematorium Joint Committee for consideration.

30. The terms of reference for the annual review of the Crematorium will be agreed with the Crematorium Superintendent.

Audit Approach

31. We will adopt a risk based approach to all our assurance work as outlined below:

Strategic Risk

Our reviews of strategic risks will provide assurance that:

- Risk management processes, defined by the Committee's risk management strategy and policy, are in place and are operating as intended.
- Managers are responding to risks adequately and effectively so that those risks are reduced to an acceptable level.
- The processes and controls that managers have in place are successful in managing those risks

Operational Risk

32. Our reviews of key service delivery activities and key systems will provide assurance on the effectiveness of

- Compliance with corporate governance arrangements
- Risk identification, assessment and business continuity
- The control environment to manage identified risks and to ensure that the Committee's assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money, including.

- Information governance (quality and integrity of financial and other management information and how it is used and communicated)
33. We will adopt a risk based approach to evaluate the effectiveness of controls designed to mitigate risks through substantive testing and/ or compliance testing. Compliance testing will confirm if a control actually exists and substantive testing will provide assurance that the control is effective and / or is consistently applied. The level of testing will be relative to the impact and likelihood of the risk occurring due to a control weakness.
34. We will work with service managers to help embed effective risk management of operational risks by supporting them to carry out a control risk self assessment (CRSA) for each audit area subject to review in advance of each assurance audit.
35. We will agree the objectives and risks associated with each key system or service delivery area to be reviewed with the relevant service manager/key contact prior to the start of any audit to ensure that the scope and objectives of each review are focused on providing assurance on the high or significant risks identified through the CRSA. Terms of reference will be issued to key contacts to formally agree the scope of each review, identified keys risks, potential impact and expected key controls.
36. The key contact is the person who is authorised by the head of service to agree resultant draft reports and the implementation of any proposed audit recommendations.
37. Terms of reference will confirm the scope of each review and the audit approach to be applied. The latter may vary due to the nature of the risk upon which assurance is required and the extent of reliance on other assurances sources.

Audit Reporting

38. All audit assignments will be the subject of formal reports and all assurance reviews will include an audit opinion.
39. Our reporting structure is designed to ensure that final versions of reports are agreed with managers and are both accurate and practical.
40. Towards the end of an audit we will arrange an exit meeting with the key contact where we will share and discuss our initial findings. If this is not practical, we will issue an informal draft report to the key contact which will set out our initial findings.

41. The purpose of the exit meeting/informal draft stage is to give feedback and to eliminate any inaccuracies in our findings so that these can be resolved before a formal draft report is issued.
42. Draft reports will ask the key contact to provide a management response to the recommendations made and agree target implementation dates and responsible officer.
43. To assist managers in their response we categorise our recommendations as follows:

High	Action that is considered imperative to ensure that the control system is not exposed to high risk from weaknesses in critical or key controls
Medium	Action required to ensure that the control system is not exposed to significant risk
Low	Action that is considered desirable to address minor weaknesses in control that should result in enhanced control or better value for money

44. It is the responsibility of managers to accept and implement internal audit findings and recommendations, or accept the risk resulting from not taking action.
45. We will also provide an overall assurance opinion on each audit review to help us inform our overall opinion required to support the Committee's Annual Governance Statement. We categorise our opinions as:

Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives
Substantial Assurance	Whilst there is a sound system of control, there are some minor weaknesses, which may put some of the system objectives at risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some significant / serious weaknesses, which may put some of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key areas in the system of control, which put the system objectives at high risk.
No Assurance	Control is generally weak as controls in numerous key areas are ineffective leaving the system open to high risk of error or abuse

46. The determination of our audit assurance opinion is derived from the overall level of assurance, positive as well as negative, of the effectiveness of controls operating in each specific area reviewed and is informed by risk identified through our recommendation rankings e.g. any area reviewed where a high risk ranking recommendation is made will lead to an audit assurance opinion of no more than Moderate. Where a Limited assurance opinion is given controls are considered to be ineffective overall and require improvement to maintain an acceptable level of control.
47. Managers responses to recommendations made in draft reports will be incorporated and reissued as finals. Copies of all final reports are shared with our External Auditors on request.
48. Wherever possible the circulation of audit reports will be agreed at the outset and will have due regard to confidentiality and legal requirements.
49. Any information gained in the course of audit work remains confidential without limiting or preventing internal audit from meeting its reporting responsibilities.
50. It is the responsibility of the Crematorium Superintendent to assist in the progressing of draft reports to final report stage; any significant delay will be reported to the Head of Finance, HR and Business Support.
51. To ensure that adequate progress is made by the Crematorium Superintendent we request that a response to draft reports is provided within 20 working days. If a response has not been received within this timescale the following escalation process will be invoked.
- A reminder will be sent to the Crematorium Superintendent, and copied to the Head of Finance, HR and Business Support requesting a response within the next 10 days.
 - If a response is still not forthcoming, a second reminder will be issued to the Head of Finance, HR and Business Support advising that if a response is not received within the next 5 days the matter will be reported to the relevant Corporate Director.
52. We will also follow up progress made by the Crematorium Superintendent on the implementation of all high and medium recommendations. In addition listings of all recommendations outstanding at the end of each month will be produced and issued to the Head of Finance, HR and Business Support.
53. We will report annually to the Mountsett Crematorium Joint Committee on progress made on delivering the agreed Service Level Agreement, overdue responses to draft reports, and progress made by the Crematorium Superintendent in implementing audit recommendations. We will also:-
- a) Compare actual activity with planned work.

- b) Provide an overall opinion on the control environment
- c) A summary of work undertaken to formulate the annual opinion on the entire control environment, including reliance placed on work by other assurance bodies.
- d) Draw attention to any issues considered particularly relevant to the preparation of the Annual Governance Statement.

Responsibilities of Managers

54. Internal Audit is involved in a wide range of internal and external relationships. The quality of these relationships impacts on the effective delivery of the service, its reputation and independence.

55. We strive to build effective working relationships with all our stakeholders, internal and external, by encouraging an environment of mutual trust, confidence and understanding.

56. A key relationship is with managers. Managers at all levels need complete confidence in the integrity, independence and capability of internal audit.

57. Managers' role is to manage the risks facing their service and to maintain an adequate and effective system of internal control to mitigate these risks. Managers are also responsible for ensuring that staff are aware of the processes and procedures required to operate the control systems in place.

58. We encourage managers to maximise the effectiveness of the outcome of internal audit work by:

- Commenting on, and inputting to, strategic and annual audit plans.
- Carrying out control risk self assessments (CRSA) prior to each audit
- Agreeing terms of reference for each audit assignment to ensure attention is focused on areas of greatest risk or concern.
- Giving information and explanations that are sought during audit reviews.
- Providing access at all reasonable times to premises, personnel, documents and assets as necessary.
- Giving early notification of plans for change, including potential new initiatives, operational systems and processes.
- Ensuring key contacts provide responses to draft audit reports within the required timescales.

- Ensuring agreed actions arising from audit recommendations are carried out efficiently and on a timely basis
- Notify internal audit of any suspected fraud, irregularity, improper use or misappropriation of the Committee's property or resources.
- Pending investigations and reporting, take all responsible steps to prevent further loss and to secure records and documents against removal or alteration.
- Acting in line with the Committee's disciplinary procedures.

Audit Resources, Skills and Service Quality

59. In order for Internal Audit to demonstrate high standards of professional conduct, the Internal Auditor must be impartial in discharging all responsibilities. Bias, prejudice or undue influence must not be allowed to limit or override objectivity.
60. The service operates in accordance with standards of best professional practice applicable to internal audit as identified through the Institute of Internal Auditors (IIA) and International Auditing Standards, but with particular reference to the CIPFA Code of Practice for Internal Audit in Local Government, as CIPFA is recognised as the key professional body for providing advice and guidance to Internal Audit in the public sector. This Code is identified as representing 'proper practices in relation to internal audit' and governs the way in which we operate. Policies and standard working practices have been put in place to ensure audit staff understand and comply with the Code and best professional practice.
61. In addition, the Council recognises and formally adopts the CIPFA Statement of Professional Practice on Ethics, as appropriate standards by which the conduct of the Internal Audit Service can be measured.
62. The service is provided by Durham County Council's in house internal audit team. The staffing structure will, as far as possible, be comprised of a suitable mix of qualifications, experience and skills.
63. The Head of Internal Audit ensures internal audit resources are sufficient to meet its responsibilities and achieve its objectives. Resource requirements are reviewed annually in relation to draft annual audit plans. Resources will be considered in terms of available days and the skills and experience of audit staff.
64. Individual training needs are identified in accordance with the Council's Performance Appraisal Scheme. As well as basic training in audit techniques and the development of specialist skills, the service is committed to coaching

and mentoring its staff and to providing opportunities for continuous professional development (CPD).

65. Internal review of work standards is undertaken through a system of management review of working papers and reports prior to release.

66. Internal Audit maintains its awareness of national and local issues through membership and subscription to professional bodies such as CIPFA's Technical Information Service, "TIS online", the Finance Advisory Network (FAN) and the Institute of Internal Auditors as well as liaison with external audit and networking with other internal audit services.

67. A number of performance indicators and targets have been developed to measure and monitor the performance and effectiveness of the service.

68. The service is a member of the CIPFA IPF Audit Benchmarking Club.

69. Performance progress reports are submitted on a quarterly basis to the Audit Committee.

70. An annual review of the effectiveness of the system of internal audit is undertaken to fulfil the requirements of the Accounts and Audit Regulations 2006. The 'system of internal audit' is defined as,

"The framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation."

71. This annual review includes an independent assessment of the effectiveness of the internal audit service against the CIPFA Code. This is reviewed by the Treasurer to the Committee and is reported to the Crematorium Sub Committee for consideration.

72. External review of the quality of the service is undertaken by external audit.

Approval and Review

73. The Head of Internal Audit will annually review this Charter to ensure that it is kept up to date and fit for purpose. The Charter is endorsed by the Corporate Management Team and approved by the Mountsett Crematorium Joint Committee. Any amendments will be reported to the Mountsett Crematorium Joint Committee for approval. A copy of the Charter will be made available on the Council's intranet and website.

Key Contact

Head of Internal Audit

Avril Wallage, Manager of Internal Audit & Risk

Tel:

0191 383 3537

Fax:

0191 3835779

Email:

avril.wallage@durham.gov.uk

Address

Internal Audit and Risk Division
Resources Directorate
Durham County Council
County Hall
Durham
DH1 5UE

Other Related Documents

Other related documents that should be read in conjunction with this Charter are:-

Durham County Council's

Code of Corporate Governance

Risk Management Strategy

Constitution – Financial Procedure Rules

Constitution – Codes of Conduct

Counter Fraud and Corruption Strategy

Confidential Reporting Code (Whistle Blowing Policy)

Fraud Response Plan

Mountsett Crematorium's

Constitution

Committee Terms of Reference

Summary of expected audit coverage for 20011/12

AREA	Proposed days	
	2010/11	2011/12
Management and Assurance		
Preparation of Internal Audit Plan (including risk assessment of audit needs, planning for reviews)	3	1
Production of Annual report and opinion	2	3
Attendance at ad hoc meetings	1	1
Liaison with staff and follow up of recommendations	1	1
Fundamental Accounting Systems		
Audit testing in relation to sub systems including Payroll, Personnel, Expenditure/Purchasing, Accounts Payable, Accounts receivable	2	3
Crematorium Review		
Establishment audit to include Petty cash, Budgetary control, financial reporting, income, debt collection, bank reconciliation, Asset management, stock control, risk management and governance arrangements	7	7
Advice and assistance	2	1
Redevelopment of Crematorium	0	0
Contingency	2	2
Total	20	19
Optional Additional Services		
Risk Management support	1	1
Corporate Governance support	1	1
Total for all Services	22	21



INTERNAL AUDIT REPORT

Mountsett Crematorium

Assurance level:	Substantial
Report status:	Final
Date:	23rd May 11
Prepared by:	Sarah Bell (Auditor)
Reviewed by:	Peter Jackson (Audit Manager)
Issued to:	Terry Collins (Director of Neighbourhood Services) Ian Staplin (Superintendent and Registrar) Paul Darby (Head of Finance, HR and Business Support)
Copied to:	Ian Houtt (Street Scene Area Manager North) Avril Wallage (Manager of Internal Audit and Risk) Teresa Maddison (Risk Officer)



INTRODUCTION

1. In accordance with the County Council's annual Internal Audit Plan, we have carried out a review of Mountsett Crematorium. The review involved a visit to the Crematorium between 8th and 10th March 2011.
2. In carrying out the audit, the time and assistance afforded by Ian Staplin and his staff was greatly appreciated.

OBJECTIVES

3. The overall objective of our reviews is to provide a risk based assessment of the systems in place in order to form an opinion as to whether they are robust and provide an adequate basis for effective control. The detailed objectives for this audit, as specified in the terms of reference, were to ensure that;
 - Income charged agrees with set rates, is collected and banked promptly and is correctly allocated
 - Expenditure complies with Durham County Council regulations
 - Budgetary control procedures are in place
 - All national policies are adhered to and all policies/service plans required for the operation of the Crematorium have been compiled and are followed
 - All legal requirements have been adhered to, including the Cremation Regulations 2008
 - All equipment is serviced and maintained in accordance with manufacturer's guidelines
 - Set contingency plans are in place
 - All information is held securely and in line with data retention requirements
 - There are effective risk management and governance arrangements in place
 - Payroll arrangements are adequate

SCOPE

4. The review undertaken by Internal Audit forms part of the overall assurance process now required by the Chief Executive and the Leader for inclusion within the Annual Governance Statement which is included as part of the Authority's Statement of Accounts.
5. The report is intended to present to management the observations and conclusions of the audit. Wherever possible the observations and recommendations have been discussed with members of staff and their views taken into account.

EXECUTIVE SUMMARY

6. Overall, internal controls at the Crematorium are embedded and risks are managed effectively. All income could be identified and reconciled and there was a clear audit trail in place. All amounts due have been correctly receipted and securely held prior to banking. Bankings have been made regularly, promptly and generally intact. Budgetary control processes are in place and are working effectively. Policies, procedures and regulations are generally adhered to by the staff. Corporate Governance arrangements have been examined and are also considered to be adequate. There were some issues identified as a result of the audit which have been detailed below:

Income

7. It was identified that the cash receipting system entry for Book of Remembrance income had been set at an incorrect vat rate of 15%. (instead of 17.5%) This has been corrected on the 1st January 2011 when the vat rate was increased to 20%. This has resulted in the Book of Remembrance income being overstated by 2.5% from January 2010 to January 2011 and a vat adjustment is required to correct this error. This will inevitably have an adverse affect on the anticipated income for the Crematorium in respect of Book of Remembrance fees and charges.
8. During reconciliation of the Book of Remembrance income, it was identified that a cash refund had been given to a member of the public who had made a justified complaint regarding an erroneous book of remembrance entry. The error was made by the publishers. Crematorium staff are aware that refunds are normally made by cheque, however, due to the sensitive nature of the situation the refund was authorised by management and paid immediately.

Service Development Plan

9. Crematoria grounds are a finite resource and there is a risk that there will not be enough land available to continue to scatter ashes/inter urns. Significant improvements had been made during the last year in terms of the Grounds Maintenance service and investments made in the music system and on footpath and fencing works. In addition, the Crematorium Accounts are in a much stronger financial position with regards to funding major works, including cremator replacements, going forwards.
10. There may also be opportunities to develop parts of the Crematoria grounds for the display of memorial plaques etc with a view to increasing income for the Joint Committee and plans are in place to bring a feasibility study forward for members' consideration.
11. It was identified that it may be prudent for the Joint Committee to establish how they view the future plans of the service in continuing to meet the needs of residents through the development of a Service Asset Management Plan.

Other issues

- 10 Some additional minor issues were identified during the course of the audit, which have been communicated to Crematorium staff and which have been included in the action plan as low risk

OBSERVATIONS, RISKS AND RECOMMENDATIONS

- 11 Our observations together with the associated risks are detailed in the action plan accompanying this report. For each area where an observation is made, a recommendation and priority for action is attached.
- 12 We have categorised the importance of our recommendations as follows:
- High – Action that is considered imperative to ensure that the control system is not exposed to high risk from weaknesses in critical or key controls
 - Medium – Action required to ensure that the control system is not exposed to significant risk
 - Low – Action that is considered desirable to address minor weaknesses in control that should result in enhanced control or better value for money
- 13 Four low priority issues are shown in the report to indicate where overall control could be improved.

AUDIT ASSURANCE LEVEL

- 14 Based upon the number and potential impact of the observations made, we can provide Substantial assurance. This level of assurance is one of five possible levels which are shown in the table below.

Level of Assurance	Definition
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives
Substantial Assurance	Whilst there is a sound system of control, there are some minor weaknesses, which may put some of the system objectives at risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some significant / serious weaknesses, which may put some of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key areas in the system of control, which put the system objectives at high risk.
No Assurance	Control is generally weak as controls in numerous key areas are ineffective leaving the system open to high risk of error or abuse

Action Ref	Observation	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
1	Minor errors have been identified for the coding of VAT in respect of the Book of Remembrance as a result of cashiering system errors.	Potential voluntary disclosure to and penalty imposed by HMRC. Loss of income to Crematorium	Low	Adjustments should be made to ensure all Book of Remembrance income correctly accounts for VAT.	Cash Receipting system error (parameters set wrong). Impact relatively minor: Income 1.1.10-31.3.10 £4,050.78 – VAT incorrect £98.80 Income 1.4.10-31.3.10 £11,795.00 – VAT incorrect £287.63 Journal via VAT Adjustment code 099999 952852 System corrected immediately following the issue being highlighted by the Superintendent and Registrar whilst reconciling income Total impact £386.43 coded incorrectly to Income – Negligible to C&E and Crematorium	Principal Accountant Implemented
2	The audit testing carried out found that 20% of Cremation application forms selected had not been signed by the relevant Funeral Director.	Incomplete records	Low	Application for Cremation forms should be signed by the Funeral Director.	Forms signed by Funeral Directors are effectively their agreement that all service requirements have been carried out in a suitable manner. The Superintendent and Registrar has now ensured that procedures and processes include the mandatory signing of such forms	Superintendent and Registrar Immediate
3	Although Funeral Directors sign when ashes are collected the date of collection is not always recorded.	Incomplete records	Low	Dates of when ashes are collected must be recorded on the collection form as well as the signature of the person collecting the ashes.	Agreed that all forms will be signed and dated in the future	Superintendent and Registrar Immediate

INTERNAL AUDIT REPORT – Mountsett Crematorium

Action Ref	Observation	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
4	Whilst significant improvements had been implemented in the last year, there is no formal service asset management plan in place.	Opportunities for improvement identified	Low	Consideration should be given for the development of a Service Asset Management Plan to be compiled.	As recognised in the report, substantial improvements have been made through the opportunities afforded by the harmonisation of fees and charges in 2010/11. The Crematorium Committee has significantly more financial capacity to address investment requirements going forward and a number of works and feasibility studies are already underway to inform an asset Management Plan, which will be produced during the coming year.	Superintendent and Registrar End of 2011/12 Financial Year

Mountsett Crematorium's Compliance with a Standard Local Governance Code Requirements

Annex 5

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance
------------	-----------------------	-----	---	---

PRINCIPLE 1 Focusing on the purpose of the Organisation and on outcomes for the community and creating and implementing a vision for the local area	Exercising strategic leadership by developing and clearly communicating the Organisation's purpose and vision and it's intended outcome for citizens and service users	1.1	Develop and promote the organisations purpose and vision	Corporate Plan	Y
				Service Delivery Plan	Y
				Service Improvement Plans	Y
		1.2	Review on a regular basis the Organisations vision for the local area and its impact on the Organisation's governance arrangements	Corporate Plan	Y
		1.3	Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties	Strategic Partnering Agreement	Y
		1.4	Publish an annual report on a timely basis to communicate the Organisation's activities and achievements, its financial position and performance	Annual Report and Financial Statement	Y
	Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	1.5	Decide how the quality of services for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	Corporate Plan	Y
				Performance management framework	Y
				Service Improvement Plans	Y
		1.6	Put in place effective arrangements to identify and deal with failure in service delivery	Complaints Procedure	Y
				Performance management framework	Y
	Ensuring that the Organisation makes best use of resources and that tax payers and service users receive excellent value for money	1.7	Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review VFM and performance effectively. Measure the environmental impact of policies, plans and decisions	Value for Money Strategy	DCC
				VFM Reviews	N
Benchmarking				Y	
Medium Term Financial Strategy				Y	

Mountsett Crematorium's Compliance with a Standard Local Governance Code Requirements

Annex 5

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance
------------	-----------------------	-----	---	---

PRINCIPLE 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles	Ensuring effective leadership throughout the Organisation and being clear about executive and non-executive functions and the roles and responsibilities of the scrutiny function	2.1	Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach to putting this into practice.	Constitution	DCC
		2.2	Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and senior officers.	Terms of Reference	Y
				Members Code of Conduct	DCC
				Officers Codes of Conduct	DCC
		2.3	Determine a scheme of delegation and reserve powers within the constitution including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required	Scheme of Delegation	DCC
		2.4	Make a Chief Executive or equivalent responsible and accountable to the authority for all aspects of operational management	Constitution	DCC
				Committee Terms of Reference	Y
				Scheme of Delegation	DCC
		2.5	Develop protocols to ensure that the leader and chief executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained	Regular Meetings between members and relevant DCC staff	Y
		2.6	Make a senior officer [the S151 officer /] responsible to the Organisation for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, for maintaining an effective system of internal control	Director of Resources (CFO) Job Description / Specification	Y
Chief Financial Officer Conditions of Employment	Y				
Annual Accounts	Y				
Budget Documentation	Y				
External Audit Reports	Y				
2.7	Make a senior officer [usually the monitoring officer] responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with	Company Secretary responsibilities	Y		
		Internal Audit Reports	Y		
		Constitution	DCC		
PRINCIPLE 2 Members and officers working together to achieve a common	Ensuring relationships between the Organisation, it's partners and the public are clear so that each knows what to expect of each other	2.8	Develop protocols to ensue effective communication between members and officers in their respective roles	Regular Meetings between members and relevant DCC staff	Y
		2.9	Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process' including an effective remuneration panel.	Officers Conditions of Employment	Y
				Constitution	DCC
				Members Conditions of Employment	Y

Mountsett Crematorium's Compliance with a Standard Local Governance Code Requirements

Annex 5

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance
------------	-----------------------	-----	---	---

purpose with clearly defined functions and roles		2.10	Ensure that effective mechanisms exist to monitor service delivery	Committee Meetings	Y
				Performance management framework	DCC
				Complaints procedure	Y
		2.11	Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	Corporate Plan	Y
				Service Delivery Plan	Y
				Service Improvement Plans	Y
		2.12	When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relationship to the partnership and to the organisation	Medium Term Financial Strategy	Y
				Strategic Partnering Agreement	DCC
		2.13	When working in partnership: ensure there is clarity about the legal status of the partnership; - ensure the representatives of organisations both understand and make clear to all other partners the extent of their authority to bind the organisation to partner decisions	Strategic Partnering Agreement	DCC

Mountsett Crematorium's Compliance with a Standard Local Governance Code Requirements

Annex 5

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance
------------	-----------------------	-----	---	---

PRINCIPLE 3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	3.1	Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect	Code of Conduct	DCC
				Single corporate Equality Scheme	DCC
				Anti Fraud & corruption strategy	DCC
				Equality & Diversity Policy	DCC
		3.2	Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the Organisation, its partners and the community are defined and communicated through codes of conduct and protocols	Officers Code of Conduct	DCC
				Performance Appraisal System	DCC
				Complaints Procedure	DCC
				Single corporate Equality Scheme	DCC
				Equality & Diversity Policy	DCC
				Corporate equality group	DCC
				Competency Policy and Framework	DCC
		"Working Together" Guide spec. Confidential Reporting Code	DCC		
		3.3	Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	Standing Financial Instructions	DCC
Single corporate Equality Scheme	DCC				
Corporate equality group	DCC				
Code of Practice on racial equality	DCC				
Member Codes of Conduct	DCC				
Officers Codes of Conduct	DCC				
Equality & Diversity Policy	DCC				

Mountsett Crematorium's Compliance with a Standard Local Governance Code Requirements

Annex 5

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance
------------	-----------------------	-----	---	---

PRINCIPLE 3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	Ensuring that organisational values are put into practice and are effective	3.4	Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners	Member Codes of Conduct	DCC
				Officers Codes of Conduct	DCC
				Single corporate Equality Scheme	DCC
				Code of Practice on racial equality	DCC
				Corporate equality group	DCC
				Equality & Diversity Policy	DCC
		3.5	Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.	Member Codes of Conduct	DCC
				Officers Codes of Conduct	DCC
				Review of Governance arrangements / structure	DCC
				Single corporate Equality Scheme	DCC
				Corporate equality group	DCC
				Equality & Diversity Policy	DCC
		3.6	Develop and maintain an effective standards committee.	No Standards Committee	N/A
				Officers Codes of Conduct	DCC
		3.7	Use the organisations shared values to act as a guide to decision making and as a basis for developing positive and trusting relationships within the authority	Business Plan	Y
				Delivery Plan	Y
Service Improvement Plans	Y				
3.8	In pursuing the vision of a partnership, agree a set of values against which decisions making and actions can be judged. Such values must be demonstrated by partners behaviour both individually and collectively	Strategic Partnering Agreement	DCC		

Mountsett Crematorium's Compliance with a Standard Local Governance Code Requirements

Annex 5

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance
------------	-----------------------	-----	---	---

PRINCIPLE 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	4.1	Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible	Standards Committee	N/A
		4.2	Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are made	Strategic Decisions made by the Committee - see minutes	Y
				Format of Committee reports - Standard template	Y
				Minute Book	Y
				Action plan monitored by committee	Y
		4.3	Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice	Risk Register	Y
				Code of Conduct	DCC
	Committee - Terms of Reference			Y	
	4.4	Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee	Committee Member Training	DCC	
			Committee Reports	Y	
			Complaints Procedure	DCC	
	4.5	Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints	Performance management framework	DCC	
			Record of Ombudsman complaints	N/A	
			Members Induction Programme	DCC	
Members training and Development Strategy			DCC		
4.6	Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications	Risk Register	Y		
		Legal and Financial implications are considered and recorded as part of all decisions and included within all committee reports	Y		
4.7	Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately				

Mountsett Crematorium’s Compliance with a Standard Local Governance Code Requirements

Annex 5

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance
------------	-----------------------	-----	---	---

PRINCIPLE 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	Ensuring that an effective risk management system is in place	4.8	Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognizing that risk management is part of their jobs	Risk management Service	DCC
				Committee Responsibilities	Y
				Risk Management Policy Statement	Y
				Annual assurance statement	Y
				Risk Register	Y
	Using their legal powers to the full benefit of the citizens and communities in their area	4.9	Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access	Whistle Blowing policy	DCC
				Confidential Reporting Code	DCC
		4.10	Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities	Terms of Reference	Y
				Specific advice as required	Y
		4.11	Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law	Legal aspects included in risk assessments as appropriate	Y
				Specific advice as required	Y
				Appropriate job descriptions / specifications	Y
4.12	Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationally, legality and natural justice – into their procedures and decision-making processes.	Legal implications in reports	Y		

Mountsett Crematorium's Compliance with a Standard Local Governance Code Requirements

Annex 5

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance
------------	-----------------------	-----	---	---

PRINCIPLE 5 Developing the capacity and capability of members and officers to be effective	Making sure members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	5.1	Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	Training & Development Strategy	DCC
				IIP	Y
				Committee member training and development plans	DCC
				Officer training and development plans	DCC
				Induction program	Y
				Training courses / seminars / etc	Y
				One to One appraisals	DCC
		5.2	Ensure that the statutory officers have the skills, resources, and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority	Job descriptions/person specs – Crematorium Superintendent	Y
				Job descriptions/person specs - Treasurer	Y
				Officers training and development plans	DCC
				One to One appraisals	DCC
	Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group	5.3	Assess the skills required by members and officers and make commitment to develop those skills to enable roles to be carried out effectively	Committee member training and development plans	DCC
				Officer training and development plans	DCC
				Training and development strategy	DCC
		5.4	Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed	Committee Member Annual Appraisals	N
Officers annual appraisals				Y	
Training and development strategy				DCC	
Staff annual training plans				DCC	
Committee member Annual training plans				DCC	
5.5	Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training and development needs	Committee Member Annual Appraisals	N		

Mountsett Crematorium’s Compliance with a Standard Local Governance Code Requirements

Annex 5

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance
------------	-----------------------	-----	---	---

PRINCIPLE 5 Developing the capacity and capability of members and officers to be effective	Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal	5.6	Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority		N/A
		5.7	Ensure that career structures are in place for members and officers to encourage participation and development	Committee Training and Development Plans	DCC
				Officer Training and Development Plans	DCC
				Succession planning arrangements	N
				Committee Succession Planning Arrangements	N
			Training and development strategy	DCC	

Mountsett Crematorium's Compliance with a Standard Local Governance Code Requirements

Annex 5

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance
------------	-----------------------	-----	---	---

PRINCIPLE 6 Engaging with local people and other stakeholders to ensure robust public accountability	Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.	6.1	Make clear to themselves, all staff and the community to whom they are accountable and for what	Committee	Y
		6.2	Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required	Surveys	N
				Publications	Y
				Web-site	Y
				Committee Meetings open to the public	Y
		6.3	Produce an annual report on the activity of the scrutiny function	Scrutiny function	N/A
		6.4	Ensure that clear channels of communication are in place with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively	Publications	N
				Web-site	Y
		6.5	Hold meetings in public unless there are good reasons for confidentiality	Committee Meetings open to the public	Y
		6.6	Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.	Citizens / customer Panel	N
				Focus Groups	N
				Customer Involvement Compact	N
Surveys,	N				
Publications	N				
Web-site	Y				
PRINCIPLE 6 Engaging with local people and other stakeholders to ensure robust public accountability	Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning	6.7	Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result.	Access & Customer Care Strategy	DCC
		6.8	On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well a information about its outcomes, achievements and satisfaction of service users in the previous period	Delivery Plan	Y
				Terms of Reference	Y
		6.9	Ensure that the Organisation as a whole is open and accessible to the community, service users and its staff to ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is	Equality & Diversity Policy	DCC
Annual Governance Statement	Y				

Mountsett Crematorium's Compliance with a Standard Local Governance Code Requirements

Annex 5

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance	
			proper and appropriate to do so.	DPA Policy	Y
				FOI Policy	Y
				Publication Scheme	Y
	<p>Making best use of human resources by taking an active and planned approach to meet responsibility to staff.</p>	<p>6.10</p>	<p>Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making</p>	Union Meetings inc Board Representation	N
				Training and development strategy	DCC
				Management of Change	DCC
				HR Strategy	DCC
				Team Meetings	DCC
				One to One appraisals	DCC

This page is intentionally left blank

Mountsett Crematorium Joint Committee



17 June 2011

Response to the 2010 / 2011 Internal Audit Report



Joint Report of Terry Collins – Corporate Director: Neighbourhood Services; Don McLure – Corporate Director: Resources & Treasurer to the Joint Committee

Purpose of the Report

1. The purpose of this report is to present for Member's consideration, the response to the Mountsett Crematorium Joint Committee Internal Audit Report for 2010 / 2011.

Background Information

2. In accordance with Durham County Council's Annual Internal Audit plan, a review of the Mountsett Crematorium was undertaken in March 2011.
3. The overall objective of the review was to provide a risk based assessment of the systems in place in order to form an opinion as to whether such systems are robust and provide an adequate basis for effective internal control.
4. The review undertaken by Internal Audit forms part of the overall assurance process required by the Joint Committee for inclusion within the Annual Governance Statement and Statement of Accounts.

Audit Opinion and Action Plan

5. Following the presentation of the 2010/2011 Internal Audit report, members will note that Internal Audit has provided **Substantial** Assurance on the Joint Committees system of internal control, highlighting only very minor governance and internal control issues which have all been categorised as low risk.
6. Whilst the 'low' classification indicates that the actions required to address the minor weakness identified during the review are considered desirable, to strengthen the system of internal control an action plan has been produced with a number of such actions already implemented:
7. The action plan takes the following format in addressing the issues identified in the Internal Audit Report.
 - ***Adjustments should be made to ensure all Book of Remembrance Income correctly accounts for VAT.***

The error identified was as a result of the parameters within the cash receipting system being temporarily set incorrectly for this payment type. The impact of this error however was relatively minor with the VAT amounting to £386.43.

The system has been corrected immediately to ensure no further impact on the Crematoriums funds, and adjustments to correct the previous error have been undertaken and reported to the VAT officer within Durham County Council though the sums involved falls well below the threshold for voluntary disclosure.

- ***Application forms should be signed by the Funeral Director.***

The application forms are effectively an agreement by the Funeral Directors that all services requirements have been carried out in a suitable manner. The Superintendent and Registrar has now ensured that the administrative processes and procedures include the mandatory signing of such forms.

- ***Dates of when ashes are collected must be recorded on the collection form as well as the signature of the person collecting the ashes.***

Whilst Funeral Directors sign when ashes are collected, the date of collection is not always recorded. The Superintendent and Registrar has now ensured that the administrative processes and procedures include the dating of such records.

- ***Consideration should be given to the development of a Service Asset Plan.***

Substantial Improvements have been made through the opportunities afforded by the harmonisation of fees and charges in 2010/2011. The Joint Committee has significantly more financial capacity to address investment requirements going forward. Feasibility studies are already underway, specifically for the development of the crematorium grounds for the display of memorial plaques etc. These feasibility studies will further inform an Asset Management Plan, which will be produced in the coming year by the Superintendent and Registrar.

8. The action plan identified above further indicates the level of commitment of Joint Committee in ensuring that all systems of internal control are as robust as possible.

Recommendations

9. It is recommended that:

- Members of the Joint Committee note the Internal Control requirements and the action plan contents, both implemented and required with regards to addressing the Internal Audit recommendations

Background Papers

2010/2011 Annual Audit Report and Audit Opinion

Contact(s): Paul Darby 0191 383 6594

Appendix 1: Implications

Finance

None

Staffing

There are no staffing implications associated with this report.

Risk

Addressing the recommendations arising from the Annual Internal Audit Report 2010/11 will ensure that the Joint Committee will improve its governance arrangements and address the minor inefficiencies identified with regards to the maintenance of the Joint Committees books and records. Failure to address these concerns could potentially adversely affect future audit conclusions and could also affect the working relationship that exists with our internal and external auditors.

Equality and Diversity

None

Accommodation

There are no Accommodation implications associated with this report.

Crime and Disorder

There are no Crime and Disorder implications associated with this report.

Human Rights

None

Consultation

None. However, officers of Gateshead Council were provided with a copy of the report and given opportunity to comment / raise any detailed questions on the content of the report in advance of circulation to members of the Mountsett Crematorium.

Procurement

None

Disability Discrimination Act

None

Legal Implications

The Accounts and Audit Regulations and Code of Practice set out the legal and regulatory framework in which the accounts of the Joint Committee are prepared. The proposals within this report seek to strengthen the Joint Committees compliance with these regulations.

This page is intentionally left blank

Mountsett Crematorium Joint Committee

17 June 2011

Review of the Effectiveness of the System of Internal Audit 2010 / 2011



Joint Report of Terry Collins – Corporate Director: Neighbourhood Services; Don McLure – Corporate Director: Resources & Treasurer to the Joint Committee

Purpose of the Report

1. To update members of the revisions to the review of the effectiveness of the system of internal audit, as considered by the Joint Committee on 4th February 2011.

Background

2. As members will recall from the previous report, the Mountsett Crematorium Joint Committee (MCJC) has a requirement under the Accounts and Audit (Amended) (England) Regulations 2006 to review the effectiveness of its system of internal audit each year.

3. The review helps to inform consideration of the system of internal control, which in turn supports the Joint Committee's Annual Governance Statement (AGS).

4. Guidance produced by the CIPFA Audit Panel defines the system of internal audit as:

“the framework of assurance available to satisfy a body that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation.”

5. There is an expectation placed upon the Joint Committee to consider the effectiveness of key elements of the system which include:

- the process by which the control environment and key controls have been identified - the risk management system and processes;
- the process by which assurance has been gained over controls – its coverage of the key controls and key assurance providers;
- the adequacy and effectiveness of the remedial action taken where there are deficits in controls, which will be led by the joint committee and implemented by management; and
- the operation of the Joint Committee and the Internal Audit function to current codes and standards.

6. Since vesting day, an Internal Audit Service has been provided to the Mountsett Crematorium Joint Committee by Durham County Council, in continuation of an informal agreement between the former Derwentside District Council and the Joint Committee. During 2010/11 members approved a Formal Service Level Agreement for the provision of an Internal Audit service within Durham County Councils Internal Audit Service.
7. A review of Durham County Council's system of Internal Audit was undertaken in March 2010 and reported to the Audit Committee of the County Council, who concluded that the system was "effective". A copy of that review was made available to the external auditor during the conduct of the audit on the 2009/10 Statement of accounts and Annual Governance Statement, but was not presented to the Joint Committee for consideration.
8. To be fully compliant with the Account and Audit Regulations 2006, the Joint Committee is required to undertake its own independent review of the effectiveness of the internal Audit service.
9. Members considered an interim report and the completed checklist at the meeting held on 4th February 2011. Reports on the Review of the Effectiveness of Internal Audit will in future be considered by the Joint Committee on an annual basis only.

Risk Management

10. Separate reports on the Joint Committee's risk management arrangements are presented to the Joint Committee every six months. Arrangements for the identification, monitoring and management of risk, both strategic and operational risk, are considered to be strong and fully embedded.

Internal Audit

11. The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 sets the Standard for Internal Audit across 11 key areas of activity.
12. CIPFA has developed a self assessment checklist based on the Code of Practice which sets the minimum standards required to maintain an effective internal audit service.
13. A further desktop self-assessment of the Durham County Internal Audit Service has been jointly undertaken by the Head of Finance, HR & Business Support, Neighbourhood Services and the Manager of Internal Audit & Risk (The Head of Internal Audit) against this checklist to inform this review. This assessment takes into account the significant progress that has been achieved during the last year.
14. To enable the Joint Committee to form its own independent view, the checklist has been amended to reflect the specific (and now formalised) relationship between the two parties. The resultant assessment is attached for Member consideration at Appendix 2.

As can be seen, a number of areas have improved (compliance achieved). These are mainly as a result of the approval of the SLA and Internal Audit Charter at the previous meeting, which has been reviewed and updated for members consideration as part of the Internal Audit Annual Report 2010/11.

Additional Assurance

15. During the 2009/2010 closure process, a review of the effectiveness of the system of internal audit was reported to the Council's Audit Committee. No formal report was issued as a result of this review but some verbal feedback was given as to how the service could be improved. This primarily related to improving the accountability for the audit service to the Joint Committee. An Internal Audit Charter setting out the audit strategy and terms of reference for the service to be provided and the implementation of a formal SLA were considered by the Joint Committee on 23rd September 2010, but decisions on adopting the SLA were deferred pending consideration of an SLA covering other support services. Both these reports were further considered and subsequently approved by members of the Joint Committee on 4th February 2011.
16. The external auditor also made recommendations about the need for the Joint Committee to review its own terms of reference to ensure that they included the expected role and responsibilities of an Audit Committee where appropriate. This will need to be reviewed and timetabled following the consideration of the Annual Report and Audit opinion, to be presented on 17 June 2011
17. The effectiveness of the internal audit service is also measured through quality assurance questionnaires. At the completion of each audit assignment it is standard practice to issue a customer satisfaction survey to the manager responsible for the activity reviewed. Managers are asked to rate each aspect of the audit review process on a scale of 1-5 (1 very poor, 2 poor, 3 satisfactory, 4 good, 5 very good). The 2010/11 survey has now been received, completed and returned by the Superintendent & Registrar, who has concluded that the service was considered to be Very Good (level 5).
18. Additional performance indicators have been incorporated into the Internal Charter which have been measured and reported upon in the 2010/11 Annual Internal Audit Report at the 17 June 2011 meeting.

Summary and Key Observations.

20. Areas of non compliance in 2009/10 had been substantially addressed in the early part of 2010/2011 and areas of non-compliance at 4th February 2011 further addressed following the approval and adoption of the Internal Audit charter and SLA.

Recommendation

22. Members are asked to consider the contents of the report and whether, based on the evidence disclosed, they are satisfied with the effectiveness of the system of Internal Audit and therefore whether assurance can be placed on the work of this service.

Background Papers

Audit Files & Working Papers

CIPFA Checklist

Review the Effectiveness of the System of Internal Audit 2010/2011 – Report to Mountsett Crematorium Joint Committee 4th February 2011

Internal Audit SLA – Report to Mountsett Crematorium Joint Committee 4th February 2011

Contact(s): Paul Darby 0191 383 6594

Appendix 1: Implications

Finance

There are no direct financial implications arising for the Joint Crematorium as a result of this report, although the Internal Audit Service aims, through audit planning arrangements, to review core systems in operation and ensure through the broad programme of work ensure that the Joint Crematorium has made safe and efficient arrangements for the proper administration of its financial affairs.

Staffing

None

Risk

Risk is intrinsic to the system of internal audit and governance.

Equality and Diversity

None

Accommodation

None

Crime and Disorder

None

Human Rights

None

Consultation

None

Procurement

None

Disability Discrimination Act

None

Legal Implications

None

This page is intentionally left blank

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

1	Scope of Internal Audit				
1.1	Terms of Reference	Y	P	N	Comments/Areas for Improvement
1.1.1	Do Terms of Reference: <ul style="list-style-type: none"> a) Establish the responsibilities and objectives of IA? b) Establish the organisational independence of IA c) establish the accountability, reporting lines and relationships between the H of IA and: <ul style="list-style-type: none"> o with those charged with governance? o those parties to whom the H of IA may report? d) Recognise that IA's remit extends to the entire control environment of the organisation? e) Identify IA's contribution to the review of the effectiveness of the control environment? f) Require and enable the H of IA to deliver an annual audit opinion? g) define the role of IA in any fraud-related or consultancy work (see also 1.3.2) h) Explain how IA's resource requirements will be assessed? i) Establish IA's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities? 	√ √ √ √ √ √ √ √ √			This has been addressed during 2010 with the development of an Internal Audit Charter which has been specifically tailored to meet the requirements of the Joint Committee and has been presented to the Joint Committees for approval as previously there were no formal terms of reference in place.
1.1.2	Does the H of IA advise the organisation on the content and the need for subsequent review of the terms of reference?			√	The new Internal Audit Charter refers to it being reviewed annually
1.1.3	Have the terms of reference been formally approved by the organisation?	√			The new Internal Audit Charter for the Mountsett Crematorium Joint Committee was presented to the Committee on the 23 rd September 2010 but was deferred together with the proposed Service Level Agreement and Strategic Audit Plan until the next meeting when additional information relating to current costs of the service could be established. The internal audit charter was re- presented to and approved by the Mountsett Crematorium Committee on 4.2.11

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

Page 76

1	Scope of Internal Audit				
1.1	Terms of Reference (contd.)	Y	P	N	Comments/Areas for Improvement
1.1.4	Are terms of reference regularly reviewed?			√	The new Internal Audit Charter will be reviewed on an annual basis and will be submitted to the Joint Committee for approval. The outcome of the review will be presented at the January 2012 Joint Committee meeting
1.2	Scope of work	Y	P	N	
1.2.1	Are the organisations assurance, risk management and monitoring mechanisms taken into account when determining IA's work and where effort should be concentrated?	√			The scope of Internal audits work has previously been agreed directly with the Crematorium Superintendent & Registrar on an ad hoc basis. In 2010/11 this was formalised in a Service Level Agreement. (SLA). This SLA will be reviewed as part of the 2011/2012 Audit Plan
1.2.2	Where services are provided in partnership has the H of IA identified: How assurance will be sought? Agreed access rights, where appropriate?	√			This has been addressed within the Audit Charter and the SLA

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

1	Scope of Internal Audit				
1.3	Other work	Y	P	N	
1.3.1	Where IA undertakes consultancy and/or fraud and corruption work, does it have the skills, and resources to do this?	√			Skills and any development needs will be addressed through the PDP process. Internal audit will only undertake work where it is considered that they have the necessary skills and can add value.
1.3.2	Do the terms of reference define IA's role in: Fraud and corruption? Consultancy work?	√ √			These are defined within the Audit Charter
1.4	Fraud & Corruption	Y	P	N	
1.4.1	Has the H of IA made arrangements, within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	√			The Mountsett Crematoria Joint Committee has adhered to DCCs financial regulations, standing orders and other policies and procedures on an informal basis. Arrangements are set out in the Counter Fraud Strategy which is adopted by the Joint Committee under the terms of the Audit Charter

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

2	Independence				
2.1	Principles of Independence	Y	P	N	
2.1.1	Is IA: a) Independent of all activities it audits? b) Free from non-audit (operational) duties?	√ √			
2.1.2	Where IA staff have been consulted during system, policy or procedure development, are they precluded from reviewing and making comments during routine or future audits?	√			The structure of the service allows adequate flexibility to ensure independence is not compromised
2.2	Organisational Independence	Y	P	N	
2.2.1	Does the status of IA allow it to demonstrate independence?	√			Defined in Audit Charter
2.2.2	Does the H of IA have direct access to: Officers? Members?	√ √			Defined in Audit Charter
2.2.3	Does the H of IA have to report in his or her own name to Members and officers?		√		The Head of Internal Audit does report in her own name and will submit an audit opinion on the control environment to the Joint Committee on an annual basis. The 2010/2011 Annual report and Audit opinion will be presented to the Joint Committee on 17 June 2011
2.2.4	a) Is there an assessment that the budget for IA is adequate? b) does any budget delegated to service areas ensure that: IA adherence to the code is not compromised? The scope for IA is not affected? IA can continue to provide assurance for the Annual Governance Statement	√ √ √ √			The fee for Internal Audit Services is agreed annually with the Joint Committees and is set in accordance with the level of work required in providing adequate assurance for the Annual Governance Statement.
2.3	Status of the Head of Internal Audit	Y	P	N	
2.3.1	Is the H of IA managed by a member of the Corporate Management Team?	√			The Head of IA reports directly to the Joint Committee

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

2	Independence				
2.4	Independence of IA Contractors	Y	P	N	
2.4.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?			√	. N/A
2.5	Declaration of Interest	Y	P	N	
2.5.1	Do all audit staff make formal declarations of interest?	√			
2.5.2	Does the planning process take account of the declarations of interest registered by staff?	√			

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

3	Ethics for Internal Auditors				
3.1	Purpose	Y	P	N	
3.1.1	Does the H of IA regularly remind staff of their ethical responsibilities?	√			Last addressed formally through IA away day in January 2010 but also through completion of Job Record Documents as part of the job evaluation process.
3.2	Integrity	Y	P	N	
3.2.1	Has the IA team established an environment of trust and confidence?	√			The relationship between Audit staff and the Crematorium Superintendent & Registrar is good. The reporting requirements identified under the terms of the SLA further ensure an environment of trust and confidence with the Joint Committee.
3.2.2	Do internal auditors demonstrate integrity in all aspects of their work?	√			Customer surveys completed at the end of each audit review provide feedback if this were not the case.
3.3	Objectivity	Y	P	N	
3.3.1	Are internal auditors perceived as being objective and free from conflicts of interest?	√			
3.3.2	Is a time period set by the H of IA for staff where they do not undertake an audit in an area where they have had previous operational roles?			√	This will be considered on a one to one risk assessed basis
3.3.3	Are staff rotated on regular/annually audited areas?	√			To ensure consistency of practice staff may be expected to cover crematorium work two years in a row, other staff are trained however so that this work can be rotated more appropriately.

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

3	Ethics for Internal Auditors				
3.4	Competence	Y	P	N	
3.4.1	<p>Does the H of IA ensure that staff have sufficient knowledge of:</p> <p>a) The organisation's aims objectives, risks and governance arrangements?</p> <p>b) The purpose, risks and issues of the service area?</p> <p>c) The scope of each audit assignment?</p> <p>d) Relevant legislation and other regulatory arrangements that relate to the audit?</p>	Y Y Y Y			<p>Close working relationships exists between IA and the Crematorium Superintendent.</p> <p>Audit Managers are primarily responsible for maintaining awareness within their respective client service areas and ensuring that all teams members carry out adequate research in relation to assignments they are allocated which will include objectives, risks, governance issues and relevant legislation and other regulatory arrangements surrounding the service under review.</p> <p>The scope of each audit assignment is discussed with the Crematorium Superintendent agreed and signed off so that all risks and issues will be included as part of the review if relevant.</p> <p>Where necessary, the Head of Internal Audit will arrange to buy in services where the in house team lacks sufficient knowledge in a particular area and it is not considered to be cost effective to develop those skills in house.</p>
3.5	Confidentiality	Y	P	N	
3.5.1	Do IA staff understand their obligations in respect to confidentiality?	√			Part of employee Code of Conduct and Internal Audit Charter

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

4 Audit Committees					
4.1 Purpose of the Audit Committee		Y	P	N	
4.1.1	Does the organisation have an independent audit committee?	√			The Joint Crematoria Committee will operate as their own assumed audit committee in future. Terms of reference will need to be strengthened to reflect this expanded role.
4.2 Internal Audit's relationship with the Audit Committee		Y	P	N	
4.2.1	Is there an effective working relationship between the audit committee and IA?	√			Restricted at the moment to Committee meetings only, although the Audit Charter does include reference to direct access to Chair and regular meetings outside of the Committee(s) is possible if requested.
4.2.2	Does the committee approve the IA strategy and monitor progress?	√			See 1.1.3
4.2.3	Does the committee approve the annual internal audit plan and monitor progress?		√		Previously the responsibility for agreeing the work of Internal Audit was delegated to the Crematorium Superintendent & Registrar. Following the approval of the SLA, the Joint Committee will have much more input into the level of work to be carried out and will be able to discuss and amend any proposed audit plan including allocated audit days in the future. The Annual report and Audit opinion will be discussed at the June 2011 meeting.
4.2.4	Does the H of IA: a) Attend the committee and contribute to its agenda? b) Participate in the committee's review of its own remit and effectiveness? c) Ensure that the committee receives and understands documents that describe how IA will fulfil its objectives? d) Report on outcomes of IA work to the committee? e) Establish if anything arising from the work of the committee requires consideration of changes to the audit plan, or vice versa? f) Present the annual IA report to the committee?	√ √ √ √ √ √			Only when relevant. Only if requested Review of Internal Audit Charter or SLA))) As part of the annual report))
4.2.5	Is there the opportunity for the H of IA to meet privately with the audit committee?	√			Opportunity is always available but has not yet been required

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

5	Relationships				
5.1	Principles of good relationships	Y	P	N	
5.1.1	Is there a protocol that defines the working relationship for IA with: a) Management? b) Other IA's? c) External auditors? d) Other regulators and inspectors? e) Elected members?	√		√	Internal Audit Charter Area for development re partnership working/joint assurance Nothing formal in place – however long standing relationship via lead authority. No formal arrangements in place No formal arrangements in place
5.2	Relationships with management	Y	P	N	
5.2.1	Does the H of IA seek to maintain effective relationships between internal auditors and managers?	√			Particularly in relation to advice and guidance on financial matters. Review and agreement of audit reports prior to submission to Committee.
5.2.2	Is the timing of audit work planned in conjunction with management?	√			Timing of audit agreed annually with the Joint Committee(s)
5.3	Relationships with other internal auditors	Y	P	N	
5.3.1	Do arrangements exist with other internal auditors that include joint working, access to working papers, respective roles and confidentiality?	√			Where relevant. There are current arrangements in place with Price Waterhouse Coopers to cover additional areas where specific expertise is required. However it is not anticipated that this is required in relation to Mountsett Crematorium Joint Committee business.
5.4	Relationships with external auditors	Y	P	N	
5.4.1	Is it possible for IA and external audit to rely on each others work?	√			Wherever possible the work of both audit functions will complement and supplement each other.
5.4.2	Are there regular meetings between the H of IA and External Audit Manager?		√		Contact with the External auditors for Mountsett. Is currently limited to correspondence. Improved contact including meeting with External auditors is welcomed if deemed appropriate

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

5	Relationships				
5.4	Relationships with external auditors (contd.)	Y	P	N	
5.4.3	Are internal and external audit plans co-ordinated?		√		N/a work programmes for both rather fixed. Internal audit in respect of SLA and External audit statutory provision, although External Audit are consulted.
5.5	Relationships with other regulators and inspectors	Y	P	N	
5.5.1	Has the H of IA sought to establish a dialog with the regulatory and inspection agencies that interact with the organisation?			√	Would be willing where this is considered relevant.
5.6	Relationships with Elected Members	Y	P	N	
5.6.1	Do the terms of reference for IA define channels of communication with Members and describe how such relationships should operate?	√			Internal Audit Charter
5.6.2	Does the H of IA maintain good working relationships with Members?	√			Regular reports to Joint Committees

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

6	Staffing, Training and Continual Professional Development				
6.1	Staffing Internal Audit	Y	P	N	
6.1.1	Is IA appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply with these standards?	√			In respect of meeting SLA requirements resources are built in to the audit plan for this. Audit will also be carried out by person(s) with appropriate qualifications and experience.
6.1.2	Does the H of IA have access to appropriate resources where the necessary skills and expertise are not available within the audit team?		√		This is unlikely to happen unless under extreme circumstances. An Internal audit framework with an external partner is being developed to address this issue.
6.1.3	Is the H of IA professionally qualified and experienced?	√			CIPFA qualified and IIA affiliated member.
6.1.4	Does the H of IA have wide experience of IA and management?	√			25 years audit experience, 15 at a senior level
6.1.5	a) Do all IA staff have up to date job descriptions? b) Are there person specifications that define the required qualifications, competencies, skills, experience and personal attributes for IA staff?	√ √			Reviewed and amended in 2009/2010 following LGR Reviewed and amended in December 2010 – for Job evaluation purposes
6.2	Training and Continual Professional Development	Y	P	N	
6.2.1	a) Has the H of IA defined the skills and competencies for each level of auditor? b) Are individual auditors periodically assessed against these predetermined skills and competencies? c) Are training and development needs identified and included in an appropriate ongoing development programme? d) Is the development programme recorded, regularly reviewed and monitored?	√ √ √ √			Job descriptions/Personal Specifications Quality assurance processes and employees development reviews provide on-going assessment. More formal assessment of competencies being considered using CIPFA's "Excellent Internal Auditor " framework Part of Corporate Performance Appraisal Process
6.2.2	Do individual auditors maintain a record of their professional training and development activities?	√			Annual returns provided for HR

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

7 Audit Strategy and Planning					
7.1 Audit Strategy		Y	P	N	
7.1.1	a) Is there an IA strategy for delivering the service? b) Is it kept up to date with the organisation and its changing priorities?	√ √			Part of Internal Audit Charter Reviewed annually
7.1.2	Does the strategy include: a) IA objectives and outcomes? b) How the H of IA will form and evidence his/her opinion on the control environment? c) How IA's work will identify and address local and national issues and risks? d) How the service will be provided, i.e. internally, externally, or a mix of both? e) The resources and skills required to deliver the strategy?	√ √ √ √ √			.
7.1.3	Has the strategy been approved by the Audit Committee?	√			June 2009 by the Councils Audit Committee, not the Mountsett Crematoria Joint Committee
7.2 Audit Planning		Y	P	N	
7.2.1	Is there a risk based plan that is informed by the organisation's risk management, performance management and other assurance processes?	√			Further improvements planned for 2011/12
7.2.2	Where the risk management process is not fully developed or reliable, does the H of IA undertake his/her own risk assessment process?	√			From an audit perspective within 'Galileo' and for every audit review using Control risk self assessment criteria
7.2.3	Are stakeholders consulted on the audit plan?	√			Both officers and members of the Jjoint Committee have the opportunity to influence the work carried out. This is also explained in the audit charter and SLA.
7.2.4	Does the plan demonstrate a clear understanding of the organisations functions?	√			

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

7	Audit Strategy and Planning				
7.2	Audit Planning (contd.)	Y	P	N	
7.2.5	Does the plan: a) Cover a fixed period of no more than one year? b) Outline the assignments to be carried out? c) Prioritise assignments? d) Estimate the resources required? e) Differentiate between assurance and other work? f) Allow a degree of flexibility?	√ √ √ √ √		 √	Contained within SLA reviewed annually Where relevant Work programme agreed in SLA, although additional work could be prioritised if requested No of days agreed annually Outlined in SLA Where required
7.2.6	Is there an imbalance between the resources available and resources needed to cover the plan, is the audit committee informed of the proposed solutions?			√	N/a SLA resources would always be found to meet Internal audit obligations, unless significant additional work was required by the Joint Crematorium Committee eg Fraud
7.2.7	Has the plan been approved by the audit committee?	√			SLA deferred by Joint Committee at a meeting on the 23 rd September 2010 then approved in on the 4 th February 2011.
7.2.8	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	√			Through regular progress reporting

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

8 Undertaking Audit Work					
8.1	Planning	Y	P	N	
8.1.1	a) Is a brief prepared for each audit? b) Is the brief discussed and agreed with the relevant managers?	√ √			TOR prepared and agreed for each review Also use of Control risk self assessment
8.1.2	Does the brief set out: a) Objectives? b) Scope? c) Timing? d) Resources? e) Reporting requirements?	√ √ √ √ √			
8.2	Approach	Y	P	N	
8.2.1	Is a risk-based audit approach used?	√			
8.2.2	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	√			Covered in Internal Audit Charter
8.2.3	Does the audit approach include a quality review process for each audit?	√			All working papers and reports reviewed by Audit Managers
8.3	Recording Audit Assignments	Y	P	N	
8.3.1	Has the H of IA defined a standard for audit documentation and working papers?	√			Templates used
8.3.2	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	√			Review carried out at each stage of the audit.
8.3.3	Are working papers such that an experienced auditor can easily: a) Identify the work that has been performed? b) Re-perform it if necessary? c) See how the work supports the conclusions reached?	√ √ √			.

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

8	Undertaking Audit Work				
8.3	Recording Audit Assignments (contd.)	Y	P	N	
8.3.4	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	√			In accordance with Information Commissioner guidelines at present. Draft Retention and Disposals policy still to be approved.
8.3.5	Do all retention and access policies conform to appropriate legislation, i.e. Data Protection Act, Freedom of Information Act, etc and any organisational requirements?		√		.See above
8.3.6	Is there an access policy for audit files and records?	√			The external auditor has access to audit files and records. F of I work access is restricted to staff engaged on reviews.

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

9	Due Professional Care				
9.1	Responsibilities of the Individual Auditor	Y	P	N	
9.1.1	<p>Are there documents that set out the requirements on all audit staff in terms of:</p> <ul style="list-style-type: none"> a) Being fair and not allowing prejudice or bias to override objectivity? b) Declaring interests that could be perceived to be conflicting or could potentially lead to conflict? c) Receiving and giving gifts and hospitality from employees, clients, suppliers or third parties? d) Using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions? e) Being alert to the possibility of intentional wrongdoing, errors or omissions, poor value for money, failure to comply with management policy or conflict of interest? f) Having sufficient knowledge to identify indicators that fraud or corruption may have been committed? g) Disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice? h) Disclosing any non-compliance with these standards? i) Not using information they gain in the course of their duties for personal use? 	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>		<p>Durham County Council's Internal Audit Charter</p> <p>Durham County Council's Internal Audit Charter/Employee Code of Conduct</p> <p>Durham County Council's Employee Code of Conduct</p> <p>Durham County Council's Internal Audit Charter, Counter Fraud Strategy</p> <p>Risk Matrices</p> <p>Durham County Council's Employee Code of Conduct</p> <p>Areas where partial response will be addressed through the development of a detailed IA Manual</p>

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

9.2	Responsibilities of the Head of Internal Audit	Y	P	N	
9.2.1	Has the H of IA established a monitoring and review programme to ensure that due professional care is achieved and maintained?	√			Quality assurance arrangements and customer surveys
9.2.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	√			Day to day management arrangements. Confidential Reporting Code/Whistle blowing policy
10	Reporting				
10.1	Principles of Reporting	Y	P	N	
10.1.1	Is an opinion on the control environment and risk exposure given in each audit?	√			Internal Audit Charter
10.1.2	Has the H of IA determined the way in which IA will report?	√			Internal Audit Charter
10.1.3	Has the H of IA set out the standards for audit reporting?	√			Internal Audit Charter
10.1.4	Are there laid down timescales for reports to be issued?	√			Internal Audit Charter
10.2	Reporting on Audit Work	Y	P	N	
10.2.1	Do the reporting standards include: a) Format of the reports?	√			Internal Audit Charter
10.2.2	b) Quality assurance of reports?	√			
10.2.3	c) The need to state the scope and purpose of the audit?	√			
	d) The requirement to give an opinion?	√			
10.2.4	e) Process for agreeing reports with the recipient?	√			
10.2.5	f) An action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?	√			
10.2.6					
10.2.7	Does the audit reporting process include discussion and agreement of reports?	√			. Internal Audit Charter
10.2.8	Has the H of IA determined a process for prioritising recommendations according to risk?	√			Internal Audit Charter
10.2.9	Are areas of disagreement recorded appropriately?	√			
10.2.10	Are those weaknesses giving rise to significant risks that are not agreed drawn to the attention of senior management?	√			

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

10 Reporting					
10.2	Reporting on Audit Work (contd.)	Y	P	N	
10.2.11	Is the circulation of each report determined when preparing the audit brief?		√		Steps taken in the current year to ensure that circulation of reports and the manager with authority to agree TOR's and clear draft reports, i.e the Key contact is agreed with the relevant Manager prior to each review commencing.
10.2.12	a) Does the reporting process include details of circulation of that particular audit report? b) Is this included in the brief for each individual audit?	√	√		Copy of the audit charter to be supplied to each lead officer at pre audit meeting wef from 2011/12
10.2.13	Does the H of IA have mechanisms in place to ensure that: a) Recommendations that have a wider impact are reported to the appropriate forums? b) Risk registers are updated?	√ √			All final reports and their circulation is reviewed by the H of IA Pro-forma in use for reassessment to take place following each review and fed back to risk management (this is also relevant for any review carried out to the Mounsett Crematoria)
10.3	Follow-up Audits and Reporting	Y	P	N	
10.3.1	Has the H of IA defined the need for and the form of any follow-up action?	√			Internal Audit Charter and quarterly report templates to Directors. Mirrored for the Crematoria Joint Committees
10.3.2	Has the H of IA established appropriate escalation procedures for IA recommendations not implemented by the agreed date?	√			As above
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	√			
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	√			This will inform the work to be carried out in future years under the SLA.

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

10	Reporting				
10.4	Annual Reporting and Presentation of Audit Opinion	Y	P	N	
10.4.1	Does the H of IA provide an annual report to support the Annual Governance Statement	√			In 2009/10 only the audit report relating to the annual review of the Crematorium was reported to the Joint Committee. This has been strengthened with the introduction of the SLA and an annual report will be presented.
10.4.2	<p>Does the H of IA's annual report:</p> <p>a) Include an opinion on the overall adequacy and effectiveness of the organisation's control environment?</p> <p>b) Disclose any qualifications to that opinion, together with the reasons for the Qualification?</p> <p>c) Present as summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies?</p> <p>d) Draw attention to any issues the H of IA judges particularly relevant to the preparation of the Annual Governance Statement?</p> <p>e) Compare the actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance measures and targets?</p> <p>f) Comment on compliance with the standards of the Code?</p> <p>g) Communicate the results of the internal audit quality assurance programme?</p>		<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>	<p>Arrangements for 2010/11 as part of the SLA is to present an annual audit report and audit opinion, review of the audit work carried out, outline any issues that may be relevant for inclusion in the Annual Governance Statement, and compare performance achieved with that planned. This is scheduled for 17 June 2011</p> <p>Reference made to Internal Audit Charter which refers to Code of Practice. Covered in this effectiveness review</p> <p>Reference made to follow-up arrangements</p>
10.4.3	Has the H of IA made provision for interim reporting to the organisation during the year?	√			Crematoria Joint Committee will agree SLA annually, which will include reporting arrangements

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

11 Performance, Quality and Effectiveness					
11.1	Principles of Performance, Quality and Effectiveness	Y	P	N	
11.1.1	Is there an audit manual?		√		Processes and procedures in relation to the audit management database Galileo. Full Audit Manual under development
11.1.2	Does the manual provide guidance on: a) Carrying out day to day audit work? b) Complying with the Code?		√ √		As above
11.1.3	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?		√		As above
11.1.4	Does the H of IA have arrangements in place to access the performance and effectiveness of: a) Each individual audit? b) The internal audit service as a whole?	√ √			Review process, customer surveys on completion of each review PI' s agreed and monitored
11.2	Quality Assurance of Audit Work	Y	P	N	
11.2.1	Does the H of IA have processes in place to ensure that work is allocated to auditors who have the appropriate skills, experience and competence?	√			Review process, PDP's, quality test checks, Regular Management Team meetings
11.2.2	Does the H of IA have a process in place to ensure that all staff are supervised appropriately throughout all audits?	√			Management structure and review processes
11.2.3	Does the supervisory process cover: a) Monitoring process? b) Assessing quality of audit work? c) Coaching staff?	√ √ √			

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

11	Performance, Quality and Effectiveness				
11.3	Performance and Effectiveness of the Internal Audit Service	Y	P	N	
11.3.1	Does the H of IA have a performance management and quality assurance programme in place?	√			Bi weekly managers meetings, monthly 1-2-1's with Audit Managers, monthly team meetings, divisional forum 3 times year, service improvement plan, training plan, review of all final audit reports, away day
11.3.2	<p>Does the performance management and quality assurance framework include as a minimum:</p> <p>a) A comprehensive set of targets to measure performance:</p> <ul style="list-style-type: none"> • Which are developed in consultation with appropriate parties? • Which are included in service level agreements, where appropriate? • Against which the H of IA measures, monitors and reports appropriately on progress? <p>b) User feedback obtained for each individual audit and periodically the whole service?</p> <p>c) A periodic review of the whole service against the strategy and the achievement of its aims and objectives, the results of which are used to inform the future strategy?</p> <p>d) Internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual?</p> <p>e) An action plan to implement improvements?</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>	<p></p> <p></p> <p>√</p> <p></p> <p></p>		<p>Developed in consultation with staff and approved by Audit Committee for 2010/11 SLA's with Police and Fire Authorities under review</p> <p>Assumed acceptance by Crematoria Joint Committee as these have been approved by the Council's Audit Committee.</p> <p>Post audit questionnaire, annual feedback questionnaire to be considered</p> <p>Annual review of Internal Audit Charter and periodic reviews of audit need risk assessment process</p> <p>Where documented procedures are in existence</p> <p>Operational improvement plan/SIP</p>
11.3.3	Does the H of IA compare the performance and the effectiveness of the service over time, in terms of both the achievement of targets and the quality of the service provided to the user?			√	2009/10 first year of operation of new service. Comparisons will be made in future and against CIPFA benchmarking data Monthly reports of productive/non productive time allocated.

Internal Audit Effectiveness Checklist – Self Assessment of Compliance with the CIPFA Code of Practice 2006 Mountsett Crematorium Joint Committee – March 2011

11	Performance, Quality and Effectiveness				
11.3	Performance and Effectiveness of the Internal Audit Service (contd.)	Y	P	N	
11.3.4	Do the results of the performance management and quality assurance programme evidence that the internal audit service is: <ul style="list-style-type: none"> a) Meeting its aims and objectives? b) Compliant with the Code? c) Meeting IA quality standards? d) Effective, efficient, continuously improving? e) Adding value and assisting the organisation in achieving its objectives? 		√ √ √ √		Performance management and quality assurance programme to be reviewed during 2010/11 to improve accountability and effectiveness of service
11.3.5	Does the H of IA report on the results of the performance management and quality assurance programme in the annual report?	√			
11.3.6	Does the H of IA provide evidence from his/her review of the performance and quality of the internal audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of internal audit?	√			

This page is intentionally left blank

Mountsett Crematorium Joint Committee

17 June 2011

2010 / 2011 Annual Governance Statement



Joint Report of Terry Collins – Corporate Director: Neighbourhood Services; Don McLure – Corporate Director: Resources & Treasurer to the Joint Committee

Purpose of the Report

- 1 The purpose of this report is to provide details of the Annual Governance Statement (AGS) for the year April 2010 to March 2011. The AGS will need to be formally approved by members as part of the consideration of the Statement of Accounts and Small Bodies in England Annual Return 2010/2011 and is attached at Appendix 2.

Background

- 2 The Mountsett Crematorium Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in a way which functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3 In discharging this overall responsibility, the Mountsett Crematorium Joint Committee is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risks.
- 4 The Mountsett Crematorium Joint Committee has adopted and operates under (via Durham County Council, its lead Authority), a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework – 'Delivering Good Governance in Local Government'. The Annual Governance Statement (AGS) explains how the Joint Committee complies with this code and also meets the requirements of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a Statement on Internal Control.
- 5 The AGS will need to be formally signed by the Chair and Treasurer (the Corporate Director: Resources) to the Mountsett Crematorium Joint Committee and published as part of the Mountsett Crematorium Joint Committee's Statement of Accounts and Annual Return.

The Annual Governance Statement

6 The format and structure of the statement is prescribed in guidance contained within the Code of Practice on Local Authority Accounting 2010/2011 and is broken down into a number of different sections. The terminology used is therefore consistent across all authorities. These are:-

- Scope of Responsibility;
- The purpose of the Governance Framework
- The Governance Framework – incorporating details of the internal control environment i.e. the systems, procedures and processes by which the Joint Committee directs and controls its functions, including the formulation of strategy, its objectives and how it delivers its service to meet those objectives;
- Review of Effectiveness – which sets out details of a review of the Governance Framework (set out above) and which is informed by the work of internal audit, the Superintendent Registrar, external auditors and other review agencies and inspectorates; and
- Significant Governance Issues – the Mountsett Crematorium Joint Committee must identify any areas of significant internal control, including what action is being taken to address them.

7 The statement is initially compiled by the Neighbourhood Services Head of Finance, HR and Business Support, in accordance with guidance contained within the CODE.

The statement reflects the current position within the Joint Committee.

8 The statement is evidence based and relies upon the review of the effectiveness of internal audit undertaken by the Head of Finance HR and Business Support along with written assurances from the Superintendent & Registrar (who prepares a standardised comprehensive assurance statement on an annual basis), Internal audit's views, having carried out a review during the year and commented on the assurance given by each, external auditors and other review agencies and inspectorates and the assurances contained within their reports to the Mountsett Crematorium Joint Committee.

9 The Statement is submitted to the Mountsett Crematorium Joint Committee with the Statement of Accounts and Annual Return for approval with submission to External Audit – BDO LLP within 7 days.

Recommendations and Reasons

10 It is recommended that:

The Mountsett Crematorium Joint Committee examine the content of the 2010/2011 Annual Governance Statement and approve it for consideration within the Statement of Accounts and Annual Return.

Contact: Paul Darby 0191 383 6594

Appendix 1: Implications

Finance

Financial planning and management is a key component of effective corporate governance

Staffing

Ensuring the adequate capability of staff meets a core principle of the CIPFA/ SOLACE guidance.

Risk

Risk is intrinsic to the system of internal audit and governance.

Equality and Diversity

Engaging local communities including hard to reach groups meets a core principle of the CIPFA/ SOLACE guidance

Accommodation

Asset management is a key component of effective corporate governance

Crime and Disorder

There are no Crime and Disorder implications associated with this report.

Human Rights

There are no Human Rights implications associated with this report

Consultation

Engaging local communities meets a core principle of the CIPFA/ SOLACE guidance

Procurement

None

Disability Discrimination Act

None

Legal Implications

The Accounts and Audit Regulations and Code of Practice set out the legal and regulatory framework in which the accounts of the Joint Committee are prepared. The proposals within this report seek to strengthen the Joint Committees compliance with these regulations.

1. Scope of Responsibility

The Mountsett Crematorium Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It also has a responsibility under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy efficiency and effectiveness. This Committee was jointly established by Derwentside District Council and Gateshead Metropolitan Borough Council. Following Local Government Reorganisation, as successor to Derwentside District Council, Durham County Council acts as the lead authority.

In discharging this overall responsibility, the Mountsett Crematorium Joint Committee is also responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Mountsett Crematorium Joint Committee has adopted and operates under the Code of Corporate Governance (the Local Code), policies and strategies including Contract Procedure rules, Financial procedure rules, financial regulations, developed, agreed and adopted by the Durham County Council, its lead authority.

This statement explains how the Mountsett Crematorium Joint Committee has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 including circular 03/2006 which replaces the publication of a statement of internal control with an annual governance statement.

2. The Purpose of the Governance Framework

The Governance framework comprises the systems, processes, culture and values by which the Mountsett Crematorium Joint Committee directs and controls its activities through which it accounts to, engages with and leads the community. It enables the Committee to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Mountsett Crematorium Joint Committee's aims and objectives, its policies and

procedures, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Mountsett Crematorium Joint Committee for the year ended 31st March 2011 and up to the date of approval of the Statement of Accounts and annual return

3. The Governance Framework

The governance framework supports the Mountsett Crematorium Joint Committee in establishing, implementing and monitoring policies and objectives. The system of internal control refers to the system by which the Mountsett Crematorium Joint Committee directs and controls its operational functions and relates this to the community it serves. It is therefore the totality of the strategies and objectives of the joint committee and the management systems, procedures, and structures it has adopted, that together determine and control the way in which the Mountsett Crematorium Joint Committee manages its business, and sets about delivering its services to meet those objectives.

The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers appointed by the joint committee to facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieve its objectives. The Mountsett Crematorium Joint Committee system of internal control reflects its control environment which encompasses its organisational structure.

In particular, the system includes control activities, information and communication processes and processes instigated by the Mountsett Crematorium Joint Committee and its lead authority for monitoring the continuing effectiveness of the system of internal control.

The key elements of the systems and processes that comprise the Joint Committee's governance arrangements include:

Defining and documenting the roles and responsibilities of the Mountsett Crematorium Joint Committee member and officer functions, with clear delegation arrangements and protocols for effective communication

Mountsett Crematorium Joint Committee ensures that the necessary roles and responsibilities for the Governance of the crematorium are identified and allocated so that it is clear who is accountable for decisions that are made. This is achieved by:

- ◆ Electing a Chair and Vice Chair with defined executive responsibilities.
- ◆ The Mountsett Crematorium Joint Committee Constitution which clearly describes the roles of the Chair and Vice Chair.

- ◆ Adopting Durham County Councils constitution, undertaking regular reviews of the operation of both the Mountsett Crematorium Joint Committee and Durham County Council Constitutions.
- ◆ Ensuring that all policy and decision making is facilitated through the Mountsett Crematorium Joint Committee with all party membership being drawn from the constituent authorities.
- ◆ Making Durham County Council's nominated Senior Officer responsible for the proper administration of its financial affairs (Treasurer)
- ◆ Developing protocols that ensure effective communications between Members and Officers.
- ◆ Regularly reviewing the Corporate Governance arrangements in place.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and officers

Mountsett Crematorium Joint Committee fosters a culture of behaviour based on shared values, high ethical principles and good conduct. This is achieved by:

- ◆ Adopting the Human Resource policies, plans and procedures of the lead authority, Durham County Council.
- ◆ Establishing and keeping under review, systems for reporting and dealing with any incidents of fraud and corruption.
- ◆ Appropriate and timely advice, guidance and training for both Members and Officers.
- ◆ Formally adopting the Member Code of Conduct of the Lead Authority
- ◆ Formal/ written declarations of member personal interest

Reviewing and updating financial instructions and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required in managing risks.

Durham County Council and Mountsett Crematorium Joint Committee Constitutions set out how they operate, how decisions are made and the procedures which are followed to ensure that these are effective, transparent and accountable to service users

A risk management approach is in operation that aids the achievement of strategic objectives, supports decision making processes, protects the reputation and other assets of the Crematorium and is compliant with statutory and regulatory obligations. The Mountsett Crematorium Joint Committee ensures that the risk management approach:

- ◆ Is conducted in accordance with the risk management policy and strategy of Durham County Council. The Superintendent and Registrar is advised by the corporate risk management working group where strategic and operational risks are considered.

- ◆ Involves regular reports by internal audit, to standards defined in the CIPFA code of practice, and in accordance with the Accounts and Audit Regulations 2006. These include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control, at the crematorium, together with recommendations for improvement
- ◆ Involves independent annual audits carried out by BDO LLP with the recommended outcome of these reviews actioned and undertaken.
- ◆ Ensures financial management is undertaken by the Neighbourhood Services Head of Finance, HR and Business Support under the scheme of delegated responsibilities by the Treasurer of the Joint Committee in accordance with the standing orders, contract procedure and procurement rules, financial regulations and financial procedure rules of Durham County Council.
- ◆ Ensures comprehensive monthly budgetary control systems including income and expenditure reconciliations and the preparation of regular financial reports which indicate actual expenditure against budget and forecast year end positions are undertaken and reported quarterly to Mountsett Crematorium Joint Committee.
- ◆ Ensures SMART targets are set to measure financial and other performance
- ◆ Ensures clearly defined capital expenditure guidelines are adhered to

4. Review of Effectiveness

Mountsett Crematorium Joint Committee has responsibility for conducting, at least annually, a review of the effectiveness of its system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

Mountsett Crematorium Joint Committee has established the following processes to achieve this aim:

- ◆ A process to formalise arrangements with Durham County Council for the provision of internal audit has been established following the consideration and approval of the Mountsett Crematorium Joint Committee Internal Audit Charter
- ◆ Strengthened existing internal audit arrangements through a formally approved Service Level Agreement (SLA) covering the following areas for the year :
 - Management and assurance
 - Fundamental Accounting Systems
 - Crematorium Review
 - Advice and assistance
- ◆ Strengthened and formalised support services provided by Durham County Council to the Joint Committee through the approval of a Service Level Agreement covering:

- Management Services
- Financial Services
- Administration Services
- Payroll Services
- Creditor Services
- Human Resources Services
- ◆ Strengthened existing internal audit arrangements through the production of an Annual Audit Report and Audit Opinion to inform the Annual Governance Statement
- ◆ Risk based assessments of key financial systems (as approved in the SLA) carried out in the final quarter of the financial year to ensure maximum coverage of the Crematorium's financial transactions and provide an informed opinion on the robustness, adequacy and effectiveness of the system of internal control, at the crematorium, together with recommendations for improvement
- ◆ The production of a Risk Register with regular reviews undertaken by the Superintendent & Registrar and action plan reports produced and approved where necessary.
- ◆ Strengthened year end procedures for producing financial statements with the production of a closedown timetable including risk assessment and control and ensuring those involved in the closedown process are fully aware of the closedown requirements for 2010/2011.
- ◆ Strengthened budget setting processes to support its decision making process. Comprehensive monthly budgetary control systems including income and expenditure reconciliations and the preparation of regular financial reports which indicate actual expenditure against budget and forecast year end positions are also undertaken and reported quarterly to the Mountsett Crematorium Joint Committee.
- ◆ Annual reviews of corporate governance arrangements and the annual review undertaken by the lead authority, Durham County Council, of its corporate governance arrangements, together with the arrangements that the lead authority, Durham County Council has in place to detect and deter fraud and corruption.
- ◆ Being a member of the Federation of Burial and Cremation Authorities, it requires that each year a signed declaration is made so that the Codes of Practice have been strictly adhered to. The Crematorium is also subject to bi annual inspection by the regulator (DCC) who has to be satisfied that all Environmental Legislation is being implemented.
- ◆ Performance monitoring undertaken through the use of comparative statistics with other crematoria.
- ◆ The Internal Audit Section is also subject to an annual review of its activities and performance by the Head of Finance, HR and Business Support (under the scheme of delegated responsibilities by the Treasurer to the Joint Committee) in order to meet the requirements of the Accounts and Audit Regulations 2006 (amended). This review is undertaken drawing on the CIPFA Self Assessment Checklist based on the Code of Practice which sets out the minimum standards required to maintain an effective Internal Audit Service. A formal report and

completed checklist regarding the Review of the Effectiveness of Internal Audit is presented to, considered by and minuted by the Joint Committee on a twice yearly basis.

- ◆ Completion of an Internal Audit Satisfaction Survey following the completion of each Audit Assignment to measure further the effectiveness of the Internal Audit service
- ◆ Formal Adoption of the FOI Act Publication Scheme approved and minuted by the Joint Committee.
- ◆ Formalised Treasury Management Arrangements through the production of a written agreement between the Joint Committee and the lead authority Durham County Council.

In summary, the governance framework and the system of internal control in place at the Mountsett Crematorium for the year ended 31st March 2011 and up to the date of approval of the annual report and accounts accords with proper practice.

5. Significant Governance Issues

Mountsett Crematorium Joint Committee is fully committed to the principles of Corporate Governance, and has made further progress in recent months in developing its arrangements.

The Internal Audit Section sought further assurance, via its annual plan of work and review of key systems.

As a result, Internal Audit has provided **Substantial** Assurance on the Joint Committees system of internal control, highlighting only very minor governance and internal control issues (categorised as low), with none of these issues warranting comment within the Annual Governance Statement.

6. Declaration of Those Charged with Governance

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and the system of internal control by the Mountsett Crematorium Joint Committee and are satisfied that plans to address weaknesses and ensure continuous improvement of the system is in place.

SIGNED:

Chair to the Joint Committee

Don McLure, CPFA

Corporate Director of Resources and Treasurer to the Joint Committee

17 June 2011

This page is intentionally left blank

Mountsett Crematorium Joint Committee

17 June 2011

**Revenue Outturn & Statement of Accounts
for the Year Ended 31 March 2011**



Joint Report of Terry Collins – Corporate Director: Neighbourhood Services; Don McLure – Corporate Director: Resources

Purpose of the Report

- 1 The purpose of this report is to seek approval of the Small Bodies in England Annual Return (attached at Appendix 2) and supporting Statement of Accounts (attached at Appendix 3) for Mountsett Crematorium Joint Committee for the financial year ended 31 March 2011.

Background

- 2 The Annual Return will be subject to external audit by the Joint Committee's appointed external Auditors – BDO LLP. The audit will commence 8 July 2011. On completion, the auditor's report will be reported to the Joint Committee and will be incorporated into a published Statement of Accounts document which will be made available online.
- 3 The attached Annual Return is the statutory requirement for the Mountsett Crematorium Joint Committee.

The Statement of Accounts

4. The Annual Return and Statement of Accounts have been prepared considering the requirements of the 2010/11 'Code of Practice on Local Authority Accounting in Great Britain' as updated and published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
5. There are five Core Statements that provide fundamental information on the financial activities and position of the Joint Committee.
 - The Income and Expenditure Account;
 - The Statement of Movement on the General Fund Balance
 - The Balance Sheet
 - The Cash Flow Statement
 - The Annual Governance Statement

Financial Outturn 2010/11

6. Members will recall that regular (quarterly) budgetary control reports have been considered throughout the year, which incorporated forecast year end outturn positions. A provisional outturn report was presented to Members at the meeting of 21st April 2011.
7. The following table shows the final outturn position (as incorporated into the Statement of Accounts), together with comparative data against the provisional outturn report considered 21st April 2011:

Subjective Analysis	Original Base Budget 2010/11	Outturn 2010/11	Variance Over/ (Under)	MEMO - Provisional Outturn [21.4.11] 2010/11
	£	£	£	£
Employees	115,615	110,461	(5,154)	111,747
Premises	119,100	139,349	20,249	140,007
Transport	300	78	(222)	78
Supplies & Services	68,250	53,024	(15,226)	49,147
Agency & Contracted	17,415	4,945	(12,470)	4,945
Transfer Payments	0	0	0	0
Capital Charges	0	0	0	0
Central Support Costs	8,330	8,330	0	8,330
Gross Expenditure	329,010	316,187	(12,823)	314,254
Income	(573,900)	(576,572)	(2,672)	(572,195)
Net Income	(244,890)	(260,385)	(15,495)	(257,941)
Transfer to Reserves				
- Repairs Reserve	15,000	(23,332)	(38,332)	(24,110)
- Cremator Reserve	65,000	118,827	53,827	117,161
Distributable Surplus	(164,890)	(164,890)	0	(164,890)
65% Durham County Council	107,178	107,178	0	107,178
35% Gateshead Council	57,712	57,712	0	57,712

Mountsett Crematorium Earmarked Reserves	Balance @ 1 April 2010	Transfers to Reserve ®	Transfers From Reserve	Estimated Balance @ 31 March 2011
	£	£	£	£
Cremator Replacement Reserve	(160,412)	(118,827)	0	(279,239)
Major Repairs Reserve	(37,547)	(15,163)	38,495	(14,215)
Total	(197,959)	(133,990)	38,495	(293,454)

8. The following sections outline the reasons for significant variances by subjective analysis area (most of which was disclosed in the provisional outturn report), comparing the outturn position against the budget and highlighting the reasons for variances between the actual and provisional outturn position previously reported:

Employees

The outturn is showing a **£5,154** saving against the approved budget. The base budget assumed a 1.00% pay award, which has not materialised. In addition further savings have been made as a result of revised winter working patterns and reduction in holiday and sickness cover payments.

Premises

The overspend of **£20,249** is mainly due to the following reasons;

Additional / unbudgeted premises costs relating to car park resurfacing and replacement metal fencing have resulted in an overspend of **£19,450**;

Landscaping was overspent by **£2,340**. It should be noted however that this cost is substantially reduced following the Superintendant & Registrars decision not to construct a paved area.

Non Domestic rates have exceeded the budget by **£3,747**.

Cremator Reline costs have exceeded the approved budget by **£4,400**

Savings on the Utility costs for Gas, Electric and Water Budgets of approx **(£5,843)**

Insurance Recharge costs from Durham County Council were originally budgeted under the Supplies and Services Classification. This has resulted in an overspend within premises costs of **£4,100** (However members should be aware of a corresponding underspend within Supplies and Services)

The **(£6,000)** budget in relation to Water Seepage Repairs plus a number of other small general repairs budgets totalling **(£2,696)** have not been required during 2010/11

The remaining **£751** overspend relates to consumable items such as cleaning materials

The previous outturn indicated a projected overspend of **£20,907**. The resultant variance between outturns being **£658**.

Supplies and Services

The **(£15,226)** underspend on supplies and services is due to the following reasons:

The Mercury Abatement payment provision of **(£10,680)** is not required until 2013.

The Wesley Music System has cost **£2,300** additional to the budget sum as a result of extra maintenance costs

Insurance Recharge costs from Durham County Council that were originally budgeted under the Supplies and Services Classification have been charged under Premises. As highlighted above, this has resulted in an underspend of **(£4,100)** within Supplies and Services (offset by a corresponding overspend within Premises)

An increase in cremations has resulted in additional medical referee costs of **£2,300**

Collective underspends on equipment, postage, printing, stationery and telephones total **(£4,700)**

The remaining underspend is mainly in relation to savings within the uniforms budget

The previous outturn showed an underspend of **£19,103**. The difference between the previous outturn and the actual outturn being the increased spend on Book of Remembrance purchases and Calligraphy costs before the year end that were not previously factored in.

Income

The additional income over budget of **£2,672** relates to additional cremation fee income throughout the year as a result of increased cremation numbers and additional entries into the Book of Remembrance.

The previous outturn showed a budget pressure of **£1,705**. The actual outturn shows a higher number of cremation related receipts than previously anticipated. The movement is also as a result of Interest received on the investments, (cash balances of the Joint Committee) with Durham County Council, which had not been factored into the previous forecasts.

Earmarked Reserves

In line with previous approvals, any additional surpluses are retained within the Joint Committee. The additional premises costs in relation to car park resurfacing, replacement fencing and landscaping have required a contribution from the Repairs Reserve of **£23,495** rather than a contribution into the reserve of **£15,000** as originally budgeted.

The previous outturn projection estimated that the additional net income to transfer to the Cremator Reserve would be **£117,161**. The actual outturn shows a slightly higher net income transfer to the Cremator reserve of **£118,827** due to the combined movements reported earlier within the report

The retained reserves of the Joint Committee as at 31 March 2010, is **£293,454**.

Recommendations and Reasons

9. It is recommended that:

- Members of the Joint Committee note the April 2010 to March 2011 Income and Expenditure within the Revenue Financial Monitoring Report and subsequent year balance of reserves.

Contact: Paul Darby, 0191 383 6594

Appendix 1: Implications

Finance

Full details of the year to date and outturn financial performance of the Mountsett Crematorium are included within the body of the report.

Staffing

There are no staffing implications associated with this report.

Risk

The figures contained within this report have been extracted from the General Ledger, and have been scrutinised and supplemented with information supplied by the Superintendent and Registrar. The outturn has been produced taking into consideration all spend to date and year end accounting requirements. This, together with the information supplied by the Superintendent and Registrar, should mitigate any risks with regards to challenge and review of the financial outturn position of the Joint Committee.

Equality and Diversity

There are no Equality and Diversity implications associated with this report.

Accommodation

There are no Accommodation implications associated with this report.

Crime and Disorder

There are no Crime and Disorder implications associated with this report.

Human Rights

There are no Human Rights implications associated with this report

Consultation

None. However, officers of Gateshead Council were provided with a copy of the report and given opportunity to comment / raise any detailed questions on the content of the report in advance of circulation to members of the Mountsett Crematorium.

Procurement

None

Disability Discrimination Act

None

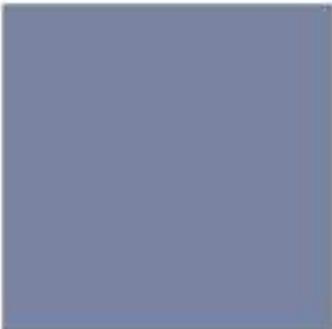
Legal Implications

The outturn contained within this report has been prepared in accordance with standard accounting policies and procedures.



Statement of Accounts 2010/11

Mountsett Crematorium Joint Committee



Explanatory Foreword

The purpose of this foreword is to provide a guide to the Statement of Accounts for Mountsett Crematorium Joint Committee for the financial year 2010/11 and assist in the interpretation of the accounting statements.

The Statement of Accounts comprises:

1. Report of the Treasurer

This outlines the main financial results for the year ended 31st March 2011. It summarises the income and expenditure incurred by the Joint Committee and highlights any change against the original budget that occurred during the year and the reasons for this.

2. Statement of Accounting Policies

This explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. In certain circumstances, where more than one accounting basis or estimation technique is acceptable, the accounting policy and/or estimation techniques followed can significantly affect an authority's reported results and financial position. The view presented can only be appreciated properly if the policies which have been followed for material items and estimation techniques which have been used in applying those policies are explained.

The accounting policies that were followed in preparing these accounts are explained on pages 7-8

3. Crematorium Core Financial Statements

Income and Expenditure Account

This statement is fundamental to the understanding of the Joint Committee's activities, in that it reports the net cost for the year of the functions for which the Crematorium is responsible, and demonstrates how that cost has been financed.

The Crematorium's Income and Expenditure Accounts is shown on page 9.

Statement of Movement on the Constituent Authorities Account Balance

This statement contains the amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the Constituent Authorities Account in determining the movement on the constituent Authorities Account Balance for the year.

The Statement of Movement on the Constituent Authorities Account Balance is shown on page 10.

Balance Sheet

The Balance Sheet is fundamental to the understanding of the Joint Committee's financial position at the year-end. It shows the balances and reserves of the Joint Committee and the fixed (where applicable) and net current assets employed in the operation, together with summarised information on the fixed assets held and disposed of in the year of the Mountsett Crematorium,

The Balance Sheet is shown on page 11.

Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and where applicable capital purposes. Cash is defined for the purposes of this statement as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

The Cash Flow Statement is shown on page 12.

Notes to the Core Financial Statements

The notes to the core financial statements are required to be shown together, after the core financial statements. They are shown on pages 13 -18.

4. Annual Governance Statement

The preparation and publication of an Annual Governance Statement in accordance with the CIPFA/ SOLACE Framework is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2003 (as amended) which requires authorities to 'conduct a review at least once in a year of the effectiveness of its system of internal control' and to prepare a statement on internal control 'in accordance with proper practices'

In addition, The Delivering Good Governance in Local Government framework urges relevant bodies to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the corporate governance and internal control framework of an organisation.

Report of the Treasurer

Overview of Financial Performance in 2010/2011

Each year the Joint Committee approves a budget and schedule of Fees and Charges for the forthcoming year. This report outlines the main financial results for the year ended 31st March, 2011. It summarises the income and expenditure incurred by the Joint Committee and highlights any change to the financial position that occurred during the year.

The 2010/11 Budget anticipated that the Joint Committee would achieve a surplus of £244,890. This was based on a forecast contribution to reserves of £80,000.

The table below summarises the budget and actual income and expenditure for 2010/11. Variations are shown alongside.

	Budget 2010/2011 £	Actual 2010/2011 £	Variance 2010/2011 £
Gross Expenditure on Services	329,010	316,187	(12,823)
Income	(573,900)	(576,572)	(2,672)
(Surplus) / Deficit for the year	(244,890)	(260,385)	(15,495)
Transfer from Capital Adjustment A/c			
Contribution to Reserves	80,000	133,990	53,990
Transfer from Reserves		(38,495)	(38,495)
To Constituent Authorities A/c	164,890	164,890	0
	0	0	0
Memo; Payments to Constituent Authorities			
Durham County Council	(107,178)	(107,178)	0
Gateshead Metropolitan Borough	(57,712)	(57,712)	0
Balance	(164,890)	(164,890)	0

The table above shows a reduction in gross expenditure of **£12,823** and an increase in income of **£2,672**. The main reasons for these variances are as follows:

	£
Gross Expenditure	
Revised working patterns, holiday cover reductions, and pay award	(5,150)
Staff Mileage	(220)
Fencing/ paving/ landscaping	21,790
Non Domestic rates	3,750
Gas, electric and water utility	(5,843)
Mercury Abatement provision	(10,680)
Wesley Music Centre	2,300
Water Seepage Repairs	(6,000)
Grounds Maintenance undertaken by Crematorium staff	(12,470)
Cremator relines	4,400
Equipment, stationery, postages	(4,700)
	(12,823)
Gross Income	
Increased number of Cremations	(2,672)
	(2,672)

Capital Expenditure

As a result of Local Government Re-organisation, Mountsett Crematorium has adopted Durham County Council's deminimus level for the capitalisation of assets. This level is £10,000. There was no Capital Expenditure during 2010/11.

Major Fixed Asset Acquisitions and disposals

Fixed assets of Land, Buildings and fixtures and fittings are owned by the Constituent Authorities in accordance with Mountsett Crematorium Joint Committee Constitution (dated 7 September 1964) in the following percentages:

Durham CC (as successor to Derwentside District Council)	60%
Gateshead MBC	40%

As such, fixed assets are not recorded within the Mountsett Crematorium Joint Committee's Balance Sheet.

Reserves

The Crematorium Committee holds various reserves and balances earmarked for future spending plans. Reserves are created by appropriating amounts in the Statement of Movement on Constituent Authorities Account Balance. When expenditure to be financed from a reserve is incurred, it is charged to the Crematorium Revenue Account in that year to score against the Net Cost of Service in the Income and Expenditure Account. The reserve is then appropriated back into the Constituent Authorities Account Statement so that there is no net charge.

In 2010/2011 the following expenditure has been financed via the Repairs Reserve:

Fencing	£8,250
Car Park Resurfacing	£11,200
Landscaping	£2,341
Steps outside Chapel entrance	£12,280
Additional Cremator Relining	£4,424
Total	£38,495

The table below highlights the movement between the Earmarked Reserves and Balances of the Mountsett Crematorium Joint Committee:

Reserve	Balance at 1.4.10 £	Contribution to Reserves £	Use of reserve £	Balance at 31.3.11 £
Repairs Reserve	37,547	15,163	(38,495)	14,215
Cremator Reserve	160,412	118,827	0	279,239
TOTAL	197,959	133,990	(38,495)	293,454

Material and unusual charges and credits

There are no unusual charges or credits within the 2010/2011 Statement of Accounts.

Significant Changes in Accounting Policies

There were no changes in accounting policies during 2010/2011.

Significant Changes to Statutory Functions

There were no changes in statutory function of the Mountsett Crematorium Joint Committee in 2010/2011 that had a significant impact on the Statement of Accounts.

SIGNED:

Don McLure CPFA
Treasurer to the Joint Committee

Date:

Statement of Accounting Policies

General Principles

The form and general principles adopted in compiling these accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in documents such as the Best Value Code of Practice on Local Authority Accounting (BVACOP) and the accompanying Guidance Notes for Practitioners. Elements of the CIPFA Guidance Notes on the Code of Practice on Local Authority Accounting in the United Kingdom 2010-2011 have also been considered in preparing the 2010-2011 Statement of Accounts

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Fees and charges due from customers are accounted for as income at the date the Joint Committee provides the service.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as stocks on the balance sheet.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Support Services Allocations

The costs of Durham County Councils Support Services are allocated to the service areas that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full costs of support services are shared between users in proportion to the benefits. Mountsett Crematorium Joint Committee is subject to an element of the Support Service Allocation which is shown within the Income and Expenditure Account under Management and Support Services Recharges.

Interest

Surplus monies are invested externally by Durham County Council on behalf of the Mountsett Crematorium Joint Committee, which receives the interest earned on a quarterly basis at the average 7 day LIBID rate.

Interest receivable on investment income is accounted for on an accruals basis and is credited to the Income and expenditure account.

Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Joint Committee and the service it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is classified as Revenue Expenditure Funded from capital under Statute and is charged to revenue as it is incurred

During 2009/10, investigations highlighted that fixed assets of Land, Buildings and fixtures and fittings are owned by the Constituent Authorities in accordance with Mountsett Crematorium Joint Committee Constitution (dated 7 September 1964) in the following percentages:

Durham CC (as successor to Derwentside District Council)	60%
Gateshead Council	40%

As a result, any such fixed assets recorded within the Mountsett Crematorium Joint Committee's Balance Sheet prior to 2009/2010 are now shown within the Balance Sheets of the Constituent Authorities.

Redemption of Debt

The Local Government and Housing Act 1989 states that the Joint Committee must set aside prescribed proportions of any Capital Receipts for the redemption of debt. The Act also stated that the Authority must make a Minimum Revenue Provision of 4% on all other debt. Mountsett Crematorium Joint Committee is currently debt-free and therefore no Minimum Revenue Provision is required for 2010/2011.

Current Assets - Stock

Stocks held at the Crematorium are included in the Balance Sheet at Average cost.

This practice conflicts with SSAP 9, which recommends that stocks should be shown at the lesser of cost or realisable value. The rate of movement of stock, however, is such that valuation in the latter bases would not significantly affect the stock balance.

Revenue Expenditure funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non current asset has been charged as expenditure in the Income and expenditure Account in the year. Where the Crematorium Joint Committee has determined to meet the cost of this expenditure from existing capital resources, a transfer from the Statement of Movement on Constituent Authorities Account Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the constituent Authorities.

Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing and managing a Crematorium service during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed.

Year ended 31st March 2010		Year ended 31st March 2011
£	Expenditure	£
107,281	Employees	110,461
103,349	Premises	139,349
39,681	Supplies and Services	53,102
15,845	Agency & Contract Services	4,945
8,330	Establishment Expenses	8,330
0	Capital charges	0
<u>274,486</u>		<u>316,187</u>
495,272	Income	575,707
966	Interest and Investment income	<u>865</u>
<u>(221,752)</u>	Net Cost of Services	<u>(260,385)</u>
<u>(221,752)</u>	(Surplus) /Deficit for the year	<u>(260,385)</u>

Statement of Movement on Constituent Authorities Account Balance

The purpose of this statement is to clarify how the surplus / deficit from the Income and Expenditure Account impacts the resources available to fund the activities of the Constituent Authorities.

The Income and Expenditure Account shows the Joint Committee's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Constituent Authorities are required to raise council tax on a different accounting basis, the main difference being:

- ◆ Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- ◆ Retirement benefits are charged as amounts become payable to pensions funds and pensioners rather than as future benefits are earned

This reconciliation statement summarises the difference between the surplus / deficit on the Income and Expenditure Account and the amount available to be added in the future to the General Fund Balance of each Constituent Authority.

Year ended 31 st March 2010 £	Notes	Year ended 31 st March 2011 £
(221,752)	(Surplus)/Deficit for the year on the Income and Expenditure Account	(260,385)
223,378	Net additional amount required by statute and non-statutory proper accounting practices to be debited or credited to the Constituent Authorities A/c Balance for the year	318,098
<u>1,626</u>	(Increase)/Decrease in the Constituent Authorities A/c Balance for the year	<u>57,713</u>
(59,339)	Constituent Authorities A/c Balance Brought Forward	(57,713)
<u><u>(57,713)</u></u>	Constituent Authorities A/c Balance Carried Forward	<u><u>0</u></u>

Balance Sheet as at 31 March 2011

Year ended 31 st March 2010 £		Note	Year ended 31 st March 2011 £
	Fixed Assets		
	Operational Assets		
0	Operational Land & Buildings		0
0	Other operational assets		0
<u>0</u>	Total Fixed Assets		<u>0</u>
	Current Assets		
226,354	Cash in Hand		256,925
30	Petty Cash		30
1,520	Stock		700
35,970	Debtors	6	<u>52,380</u>
<u>263,874</u>	Total Current Asset		<u>310,035</u>
	Current Liabilities		
8,202	Creditor	6	16,581
8,202	Total Current liabilities		<u>16,581</u>
<u>255,672</u>	Total assets less Current Liabilities		<u>293,454</u>
	Financed By		
57,713	Constituent Authorities A/c	1	0
37,547	Repairs Reserve	5	14,215
160,412	Cremator Reserve	5	279,239
0	Revaluation Reserve	5	0
0	Capital Adjustment A/c	5	<u>0</u>
<u>255,672</u>	Total Net Worth		<u>293,454</u>

The Cash Flow Statement

Year ended 31 st March 2010 £		Year ended 31 st March 2011 £
	Revenue Activities	
	<i>Cash Outflows</i>	
166,517	Cash paid to Constituent Authorities	222,603
107,281	Cash paid to and on behalf of employees	110,461
158,247	Other operating cash payments	196,527
	<i>Cash Inflows</i>	
(497,057)	Cash received for goods and services	(559,297)
	Other operating cash receipts	
<u>(65,012)</u>	Net cash (inflow)/outflow from revenue activities	<u>(29,707)</u>
	Dividends from Joint Ventures and Associates	
	<i>Cash Inflows</i>	
<u>0</u>	Dividends received	<u>0</u>
<u>0</u>	Net cash (inflow) from Joint Ventures and Associates	<u>0</u>
	Returns on Investments and Servicing of Finance	
	<i>Cash Outflows</i>	
0	Interest paid	0
0	Interest element of finance lease rental payments	0
	<i>Cash Inflows</i>	
(966)	Interest received	(865)
<u>(966)</u>	Net cash (inflow)/outflow from returns on investments	<u>(865)</u>
	Capital Activities	
	<i>Cash Outflows</i>	
0	Purchase of fixed assets	0
0	Purchase of long-term investments	0
0	Other capital cash payments	0
	<i>Cash Inflows</i>	
0	Sale of fixed assets	0
0	Other capital cash receipts	0
<u>0</u>	Net cash (inflow)/outflow from capital activities	<u>0</u>
	Management of Liquid Resources	
0	Net (increase)/decrease in short-term deposits	0
0	Net (increase)/decrease in other liquid resources	0
	Financing	
0	<i>Cash Outflows</i>	0
0	<i>Cash Inflows</i>	0
<u>(65,978)</u>	Net (increase)/decrease in cash	<u>(29,707)</u>

Notes to the Core Financial Statements

1. Constituent Authorities Surplus Account

This account contains any deficit or surplus generated in the Revenue Account, and shows the extent to which these are attributable to each of the Mountsett Crematorium Joint Committee's Constituent Authorities.

A summary of the movements during the year is shown below

Year ended 31 st March 2010 (restated) £		Year ended 31 st March 2011 £		
		Durham County Council £	Gateshead Council £	Total £
59,339	Balance 1 April	0	57,713	57,713
(166,517)	Payments during year	(107,178)	(115,425)	(222,603)
221,752	Surplus for Year	169,250	91,135	260,385
0	Capital Accounting Adjustment			
(20,119)	Transfers to Repairs Reserve	(9,856)	(5,307)	(15,163)
0	Transfers from Repairs Reserve	25,022	13,473	38,495
(36,742)	Transfers to Cremator Reserve	(77,238)	(41,589)	(118,827)
<u>57,713</u>	Balance 31 March	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	Repaid to Authority	<u>0</u>	<u>0</u>	<u>0</u>
<u>57,713</u>	Balance c/fwd	<u>0</u>	<u>0</u>	<u>0</u>

2. Explanation of the significance of the Statement of Movement on the Constituent Authorities Account Balance

The Income and Expenditure Account summarises all of the resources that the Joint Committee has generated, consumed or set aside in providing its service during the year. However, this accounting basis is currently out of line with the statutory provisions that specify the net expenditure that the Constituent Authorities need to take into account when setting local taxes. In order to give a full presentation of the financial performance of an authority during the year and the actual spending power carried forward to future years, the outturn on the Income and Expenditure Account needs to be reconciled to the balance established by the relevant statutory provisions.

The Statement of Movement on the Constituent Authorities Account Balance provides this necessary reconciliation. The full significance of the Statement for the Constituent Authorities local taxation purposes is described in the introduction to the statement itself.

3. Breakdown of reconciling items in the Statement of Movement on the Constituent Authorities Account Balance

Year ended 31 st March 2010 £		Year ended 31 st March 2011 £
	Amounts to be included in the Income and expenditure Account but required by statute to be excluded when determining the movement on the general fund/ constituent Authorities Account Balance for the year	
0	Depreciation and Impairment of Fixed assets	0
0	Amounts treated as revenue expenditure but which are classified as Capital expenditure under Statute	0
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement of the General Fund Balance for the year:	
	Net Transfers to (from) Earmarked Reserves	
20,119	Transfers to Repairs Reserve	15,163
0	Transfers from Repairs Reserve	(38,495)
36,742	Transfers to Cremator Reserve	118,827
107,178	Transfers to/ Durham County Council	107,178
59,339	Transfers to Gateshead Council	115,425
<u>223,378</u>	Net additional amount required by statute and non-statutory proper accounting practices to be debited (or credited) to the Constituent Authorities A/c Balance for the year	<u>318,098</u>

4. Movement on Fixed Assets

Ownership of Assets

The Mountsett Crematorium Joint Committee does exert any direct ownership over the assets that are held for use in the provision of the Crematorium business

In accordance with Constitution for the Mountsett Crematorium Joint Committee, Legal title of Fixed Assets of Land, Building, Plant, Furniture and Equipment is vested in the Constituent Authorities in the following percentages:

Durham County Council	60%
Gateshead Council	40%

5. Reserves

The Joint Committee keeps a number of reserves in the Balance Sheet. Some are needed to comply with proper accounting practice and can be classified as either usable or unusable reserves, others have been set up voluntarily to earmark resources for future spending plans, these are classified as usable.

Usable Reserves

Repairs Reserve

A Repairs Reserve has been established to finance major works on the Crematorium Buildings and Grounds.

A summary of the movements during the year is shown below:

Year ended 31 st March 2010 £		Year ended 31 st March 2011 £
17,428	Balance Brought Forward	37,547
20,119	Contribution from Constituent Authorities Account	15,163
0	Use of Fund	(38,495)
<u>37,547</u>	Balance Carried Forward	<u>14,215</u>

Cremator Reserve

A Cremator Reserve has been established to finance major capital works on the Cremators

A summary of the movements during the year is shown below:

Year ended 31 st March 2010 £		Year ended 31 st March 2011 £
123,670	Balance b/fwd	160,412
36,742	Contribution from Constituent Authorities Account	118,827
0	Use of Fund	0
<u>160,412</u>	Balance c/fwd	<u>279,239</u>

Unusable Reserves

Revaluation Reserve

The Revaluation Reserve contains revaluation timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Due to the ownership change in assets during 2009/2010, there has been no movement on the Revaluation Reserve during the year

Year ended 31 st March 2010 £		Year ended 31 st March 2011 £
61,445	Balance b/fwd	0
0	Revaluations	0
(61,445)	Revaluation – Removal of previously re-valued asset	0
<u>0</u>	Balance c/fwd	<u>0</u>

Capital Adjustment Account

The balance on the Capital Adjustment Account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

During 2010/2011 Expenditure totalling £23,940 classified as Revenue Expenditure Funded from Capital under Statute has been reversed through the Capital Adjustment Account

Year ended 31 st March 2010 £		Year ended 31 st March 2011 £
406,181	Balance b/fwd	0
0	Revenue Expenditure Funded from capital under statute (REFCUS)	23,940
0	Depreciation	0
0	Funding from Repairs Reserve re REFCUS	(23,940)
(406,181)	Removal of Assets	0
<u>0</u>	Balance c/fwd	<u>0</u>

6. Debtors & Creditors

Debtors and Payments in Advance

A summary of amounts receivable (not received) as at 31st March 2011 is shown below:

Year ended 31 st March 2010 £		Year ended 31 st March 2011 £
	Debtors	
35,880	Funeral Directors - Cremations	50,390
0	Book of Remembrance	1,620
60	Ashes	300
30	Urns	70
<u>35,970</u>	Total	<u>52,380</u>

Creditors and Receipts in Advance

A summary of amounts payable (not paid) as at 31st March 2011 is shown below:

Year ended 31 st March 2010 £		Year ended 31 st March 2011 £
	Creditors	
0	General Repairs	10,705
0	Materials	450
0	Medical Referees fees	1,766
0	Book of Remembrance	1,220
8,202	Electricity & Gas	2,440
<u>8,202</u>	Total	<u>16,581</u>

7. Notes relating to the Cash Flow Statement

Reconciliation of Net Surplus/Deficit on the Income and Expenditure Account to the Revenue Activities to Net Cash Flow in the Cash Flow Statement.

Year ended 31 st March 2010 £000s		Year ended 31 st March 2011 £000s
(221,752)	Surplus/(Deficit) from Income and Expenditure Statement	(260,385)
	Non-cash transactions:	
0	Depreciation and impairment of Fixed Assets	0
	Debtors and Creditors	
(9,987)	Net movement in revenue debtors and creditors	8,031
(756)	Movement on stocks	(820)
166,517	Movement on provisions and Reserves	222,603
	Items classified in another category in cash flow statement	
966	Interest received	865
<u>(65,012)</u>	Net Cash flow from Revenue Activities	<u>(29,701)</u>

Movement in Cash and Cash Equivalents:

Year Ended 31 st March 2010 £000s		Year ended 31 st March 2011 £000s	
		Balance 31.3.11 £000s	Movement in Year £000
226,354	Cash and Bank Balances	256,925	30,571
<u>226,354</u>	Net Movement	<u>256,925</u>	<u>30,571</u>

Annual Governance Statement

1. Scope of Responsibility

The Mountsett Crematorium Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It also has a responsibility under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy efficiency and effectiveness. This Committee was jointly established by Derwentside District Council and Gateshead Metropolitan Borough Council. Following Local Government Reorganisation, as successor to Derwentside District Council, Durham County Council acts as the lead authority.

In discharging this overall responsibility, the Mountsett Crematorium Joint Committee is also responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Mountsett Crematorium Joint Committee has adopted and operates under the Code of Corporate Governance (the Local Code), policies and strategies including Contract Procedure rules, Financial procedure rules, financial regulations, developed, agreed and adopted by the Durham County Council, its lead authority.

This statement explains how the Mountsett Crematorium Joint Committee has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 including circular 03/2006 which replaces the publication of a statement of internal control with an annual governance statement.

2. The Purpose of the Governance Framework

The Governance framework comprises the systems, processes, culture and values by which the Mountsett Crematorium Joint Committee directs and controls its activities through which it accounts to, engages with and leads the community. It enables the Committee to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Mountsett Crematorium Joint Committee's aims and objectives, its policies and procedures, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Mountsett Crematorium Joint Committee for the year ended 31st March 2011 and up to the date of approval of the Statement of Accounts and annual return

3. The Governance Framework

The governance framework supports the Mountsett Crematorium Joint Committee in establishing, implementing and monitoring policies and objectives. The system of internal control refers to the system by which the Mountsett Crematorium Joint Committee directs and controls its operational functions and relates this to the community it serves. It is therefore the totality of the strategies and objectives of the joint committee and the management systems, procedures, and structures it has adopted, that together determine and control the way in which the Mountsett Crematorium Joint Committee manages its business, and sets about delivering its services to meet those objectives.

The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers appointed by the joint committee to facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieve its objectives. The Mountsett Crematorium Joint Committee system of internal control reflects its control environment which encompasses its organisational structure.

In particular, the system includes control activities, information and communication processes and processes instigated by the Mountsett Crematorium Joint Committee and its lead authority for monitoring the continuing effectiveness of the system of internal control.

The key elements of the systems and processes that comprise the Joint Committee's governance arrangements include:

Defining and documenting the roles and responsibilities of the Mountsett Crematorium Joint Committee member and officer functions, with clear delegation arrangements and protocols for effective communication

Mountsett Crematorium Joint Committee ensures that the necessary roles and responsibilities for the Governance of the crematorium are identified and allocated so that it is clear who is accountable for decisions that are made. This is achieved by:

- ◆ Electing a Chair and Vice Chair with defined executive responsibilities.
- ◆ The Mountsett Crematorium Joint Committee Constitution which clearly describes the roles of the Chair and Vice Chair.
- ◆ Adopting Durham County Councils constitution, undertaking regular reviews of the operation of both the Mountsett Crematorium Joint Committee and Durham County Council Constitutions.

- ◆ Ensuring that all policy and decision making is facilitated through the Mountsett Crematorium Joint Committee with all party membership being drawn from the constituent authorities.
- ◆ Making Durham County Council's nominated Senior Officer responsible for the proper administration of its financial affairs (Treasurer)
- ◆ Developing protocols that ensure effective communications between Members and Officers.
- ◆ Regularly reviewing the Corporate Governance arrangements in place.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and officers

Mountsett Crematorium Joint Committee fosters a culture of behaviour based on shared values, high ethical principles and good conduct. This is achieved by:

- ◆ Adopting the Human Resource policies, plans and procedures of the lead authority, Durham County Council.
- ◆ Establishing and keeping under review, systems for reporting and dealing with any incidents of fraud and corruption.
- ◆ Appropriate and timely advice, guidance and training for both Members and Officers.
- ◆ Formally adopting the Member Code of Conduct of the Lead Authority
- ◆ Formal/ written declarations of member personal interest

Reviewing and updating financial instructions and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required in managing risks.

Durham County Council and Mountsett Crematorium Joint Committee Constitutions set out how they operate, how decisions are made and the procedures which are followed to ensure that these are effective, transparent and accountable to service users

A risk management approach is in operation that aids the achievement of strategic objectives, supports decision making processes, protects the reputation and other assets of the Crematorium and is compliant with statutory and regulatory obligations. The Mountsett Crematorium Joint Committee ensures that the risk management approach:

- ◆ Is conducted in accordance with the risk management policy and strategy of Durham County Council. The Superintendent and Registrar is advised by the corporate risk management working group where strategic and operational risks are considered.
- ◆ Involves regular reports by internal audit, to standards defined in the CIPFA code of practice, and in accordance with the Accounts and Audit Regulations 2006. These include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control, at the crematorium, together with recommendations for improvement
- ◆ Involves independent annual audits carried out by BDO LLP with the recommended outcome of these reviews actioned and undertaken.
- ◆ Ensures financial management is undertaken by the Neighbourhood Services Head of Finance, HR and Business Support under the scheme of delegated responsibilities by the Treasurer of the Joint Committee in accordance with the standing orders, contract

procedure and procurement rules, financial regulations and financial procedure rules of Durham County Council.

- ◆ Ensures comprehensive monthly budgetary control systems including income and expenditure reconciliations and the preparation of regular financial reports which indicate actual expenditure against budget and forecast year end positions are undertaken and reported quarterly to Mountsett Crematorium Joint Committee.
- ◆ Ensures SMART targets are set to measure financial and other performance
- ◆ Ensures clearly defined capital expenditure guidelines are adhered to

4. Review of Effectiveness

Mountsett Crematorium Joint Committee has responsibility for conducting, at least annually, a review of the effectiveness of its system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

Mountsett Crematorium Joint Committee has established the following processes to achieve this aim:

- ◆ A process to formalise arrangements with Durham County Council for the provision of internal audit has been established following the consideration and approval of the Mountsett Crematorium Joint Committee Internal Audit Charter
 - ◆ Strengthened existing internal audit arrangements through a formally approved Service Level Agreement (SLA) covering the following areas for the year :
 - Management and assurance
 - Fundamental Accounting Systems
 - Crematorium Review
 - Advice and assistance
 - ◆ Strengthened and formalised support services provided by Durham County Council to the Joint Committee through the approval of a Service Level Agreement covering:
 - Management Services
 - Financial Services
 - Administration Services
 - Payroll Services
 - Creditor Services
 - Human Resources Services
 - ◆ Strengthened existing internal audit arrangements through the production of an Annual Audit Report and Audit Opinion to inform the Annual Governance Statement
 - ◆ Risk based assessments of key financial systems (as approved in the SLA) carried out in the final quarter of the financial year to ensure maximum coverage of the Crematorium's financial transactions and provide an informed opinion on the robustness, adequacy and effectiveness of the system of internal control, at the crematorium, together with recommendations for improvement
-

- ◆ The production of a Risk Register with regular reviews undertaken by the Superintendent & Registrar and action plan reports produced and approved where necessary.
- ◆ Strengthened year end procedures for producing financial statements with the production of a closedown timetable including risk assessment and control and ensuring those involved in the closedown process are fully aware of the closedown requirements for 2010/2011.
- ◆ Strengthened budget setting processes to support its decision making process. Comprehensive monthly budgetary control systems including income and expenditure reconciliations and the preparation of regular financial reports which indicate actual expenditure against budget and forecast year end positions are also undertaken and reported quarterly to the Mountsett Crematorium Joint Committee.
- ◆ Annual reviews of corporate governance arrangements and the annual review undertaken by the lead authority, Durham County Council, of its corporate governance arrangements, together with the arrangements that the lead authority, Durham County Council has in place to detect and deter fraud and corruption.
- ◆ Being a member of the Federation of Burial and Cremation Authorities, it requires that each year a signed declaration is made so that the Codes of Practice have been strictly adhered to. The Crematorium is also subject to bi annual inspection by the regulator (DCC) who has to be satisfied that all Environmental Legislation is being implemented.
- ◆ Performance monitoring undertaken through the use of comparative statistics with other crematoria.
- ◆ The Internal Audit Section is also subject to an annual review of its activities and performance by the Head of Finance, HR and Business Support (under the scheme of delegated responsibilities by the Treasurer to the Joint Committee) in order to meet the requirements of the Accounts and Audit Regulations 2006 (amended). This review is undertaken drawing on the CIPFA Self Assessment Checklist based on the Code of Practice which sets out the minimum standards required to maintain an effective Internal Audit Service. A formal report and completed checklist regarding the Review of the Effectiveness of Internal Audit is presented to, considered by and minuted by the Joint Committee on a twice yearly basis.
- ◆ Completion of an Internal Audit Satisfaction Survey following the completion of each Audit Assignment to measure further the effectiveness of the Internal Audit service
- ◆ Formal Adoption of the FOI Act Publication Scheme approved and minuted by the Joint Committee.
- ◆ Formalised Treasury Management Arrangements through the production of a written agreement between the Joint Committee and the lead authority Durham County Council.

In summary the governance framework and the system of internal control in place at the Mountsett Crematorium for the year ended 31st March 2011 and up to the date of approval of the annual report and accounts accords with proper practice.

5. Significant Governance Issues

Mountsett Crematorium Joint Committee is fully committed to the principles of Corporate Governance, and has made further progress in recent months in developing its arrangements.

The Internal Audit Section sought further assurance, via its annual plan of work and review of key systems.

As a result, Internal Audit has provided **Substantial** Assurance on the Joint Committees system of internal control, highlighting only very minor governance and internal control issues (categorised as low), with none of these issues warranting comment within the Annual Governance Statement.

5. Declaration of Those Charged with Governance

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and the system of internal control by the Mountsett Crematorium Joint Committee and are satisfied that plans to address weaknesses and ensure continuous improvement of the system is in place

SIGNED:

Chair to the Joint Committee

Don McLure, CPFA

Corporate Director of Resources and Treasurer to the Joint Committee

Small Bodies in England

Annual return for the year ended 31 March 2011

Small relevant bodies in England with an annual turnover of £1 million or less must complete an annual return summarising their annual activities at the end of each financial year.

The annual return on the following pages is made up of four sections:

- **Sections 1 and 2** are to be completed by the person nominated by the body.
- **Section 3** will be completed by the external auditor.
- **Section 4** is to be completed by the body's internal audit provider.

Each body must ensure this annual return is approved no later than 30 June 2011.

Completing your annual return

Guidance notes, including a completion checklist, are provided on page 6 and at relevant points in the annual return.

Please complete all sections highlighted in red. Do **not** leave any red box blank. Incomplete or incorrect returns may require additional external audit work and incur additional costs.

Please send the annual return, together with your bank reconciliation as at 31 March 2011, an explanation of any significant year on year variances in the accounting statements and any additional information requested, to your appointed external auditor by the due date.

If required, your auditor will identify and ask for any documents needed for audit. Unless requested, please do **not** send any original financial records to the external auditor.

Audited and certified annual returns will be returned to the body for publication or public display of sections 1, 2 and 3.

It should not be necessary for you to contact the external auditor or the Audit Commission directly for guidance.

More guidance on completing this annual return is available in the Practitioners' Guides for either local councils or internal drainage boards. These publications may be downloaded from the National Association of Local Councils (NALC) or Society of Local Council Clerks (SLCC) websites (www.nalc.gov.uk or www.slcc.co.uk) or from the members area of the Association of Drainage Authorities website (www.ada.org.uk).

Section 1 – Accounting statements for:

MOUNTSETT CREMATORIUM LIMITED JOINT COMMITTEE

	Year ending		Notes and guidance
	31 March 2010 £	31 March 2011 £	
1 Balances brought forward	200,437	255,672	Total balances and reserves at the beginning of the year as recorded in the body's financial records. Value must agree to Box 7 of previous year.
2 (+) Income from local taxation and/or levy	0	0	Total amount of local tax and/or levy received or receivable in the year including funding from a sponsoring body.
3 (+) Total other receipts	496,238	576,572	Total income or receipts as recorded in the cashbook less income from taxation and/or levy (line 2). Include any grants received here.
4 (-) Staff costs	(107,281)	(110,461)	Total expenditure or payments made to and on behalf of all body employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5 (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on the body's borrowings (if any).
6 (-) All other payments	(333,722)	(428,329)	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7 (=) Balances carried forward	255,672	293,454	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6)
8 Total cash and short term investments	226,384	256,955	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – to agree with bank reconciliation.
9 Total fixed assets and long term assets	0	0	The recorded book value at 31 March of all fixed assets owned by the body and any other long term assets e.g. loans to third parties and any long-term investments.
10 Total borrowings	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

I certify that for the year ended 31 March 2011 the accounting statements in this annual return present fairly the financial position of the body and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer:

Date

I confirm that these accounting statements were approved by the body on:

and recorded as minute reference:

Signed by Chair of meeting approving these accounting statements:

Date

Section 2 – Annual governance statement

We acknowledge as the members of **MOUNT SETTLE CREMATORIUM JOINT COMMITTEE** our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2011, that:

	Agreed – Yes or No*	'Yes' means that the body:
1 We have approved the accounting statements prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.	YES	prepared its accounting statements in the way prescribed by law.
2 We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	YES	made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3 We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the body to conduct its business or on its finances.	YES	has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.
4 We have provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	YES	during the year has given all persons interested the opportunity to inspect and ask questions about the body's accounts.
5 We have carried out an assessment of the risks facing the body and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	YES	considered the financial and other risks it faces and has dealt with them properly.
6 We have maintained throughout the year an adequate and effective system of internal audit of the body's accounting records and control systems.	YES	arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of the body.
7 We have taken appropriate action on all matters raised in reports from internal and external audit.	YES	responded to matters brought to its attention by internal and external audit.
8 We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the body and where appropriate have included them in the accounting statements.	YES	disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.

This annual governance statement is approved by the body and recorded as minute reference

MOUNT SETTLE CREMATORIUM JOINT COMMITTEE

dated **10/04/2011**

Signed by:

Chair **[Signature]**

dated **10/04/2011**

Signed by:

Clerk **[Signature]**

dated **10/04/2011**

Note: Please provide explanations to the external auditor on a separate sheet for each 'No' response that has been given and describe what action is being taken to address the weaknesses identified.

Section 3 – External auditor’s certificate and opinion

Certificate

We certify that we have completed the audit of the annual return for the year ended 31 March 2011 of

Respective responsibilities of the body and the auditor

The body is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The body prepares an annual return in accordance with proper practices which:

- summarises the accounting records for the year ended 31 March 2011; and
- confirms and provides assurance on those matters that are important to our audit responsibilities.

Our responsibility is to conduct an audit in accordance with guidance issued by the Audit Commission and, on the basis of our review of the annual return and supporting information, to report whether any matters that come to our attention give cause for concern that relevant legislation and regulatory requirements have not been met.

External auditor’s report

(Except for the matters reported below)* on the basis of our review, in our opinion the information in the annual return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the body:

(continue on a separate sheet if required)

External auditor’s signature

External auditor’s name

Date

Note: The auditor signing this page has been appointed by the Audit Commission and is reporting to you that they have carried out and completed all the work that is required of them by law. For further information please refer to the Audit Commission’s publication entitled *Statement of Responsibilities of Auditors and of Audited Small Bodies*.

Section 4 – Annual internal audit report to

MOUNTSETT CREMATORIUM JOINT COMMITTEE

The body's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2011.

Internal audit has been carried out in accordance with the body's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the body.

Internal control objective	Agreed? Please choose from one of the following Yes/No*/Not covered**
A Appropriate accounting records have been kept properly throughout the year.	YES
B The body's financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	YES
C The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	YES
D The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	YES
E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	YES
F Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	YES
G Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.	YES
H Asset and investments registers were complete and accurate and properly maintained.	N/A
I Periodic and year-end bank account reconciliations were properly carried out.	YES
J Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and, where appropriate, debtors and creditors were properly recorded.	YES

For any other risk areas identified by the body (list any other risk areas below or on separate sheets if needed) adequate controls existed:

Name of person who carried out the internal audit: PETER JACKSON

Signature of person who carried out the internal audit: P. Jackson Date: 24/5/2011

*Note: If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).

Guidance notes on completing the 2011 annual return

- 1 Proper practices for preparing this annual return are found in the *Practitioners' Guides**. These publications are regularly updated and contain everything you should need to prepare successfully for your financial year-end and the subsequent audit. Both NALC and SLCC have helplines should you wish to talk through any problem you may encounter.
- 2 Please make sure that your annual return is complete (i.e. no empty red boxes), and is properly signed and dated. Avoid making any amendments to the completed return. But, if this is unavoidable, make sure the amendments are approved by the body, properly initialled and an explanation for them is provided to the auditor. Annual returns containing unapproved or unexplained amendments will be returned unaudited and may incur additional costs.
- 3 Use the checklist provided below. Use a second pair of eyes, perhaps a member or the Chair, to review your annual return for completeness before sending it off to the auditor.
- 4 Please do not send the auditor any information not specifically asked for. Doing so is not helpful. However, you must advise the auditor of any change in Clerk, Responsible Financial Officer or Chair.
- 5 Make sure that the copy of the bank reconciliation which you send to your auditor with the annual return covers **all** your bank accounts. If your body holds any short-term investments, please note their value on the bank reconciliation. The auditor should be able to agree your bank reconciliation to Box 8 on the Statement of Accounts. **You must provide an explanation for any difference between Box 7 and Box 8.** More help on bank reconciliation is available in the *Practitioners' Guides**.
- 6 Please **explain fully** significant variances in the accounting statements. Do not just send in a copy of your detailed accounting records instead of this explanation. The auditor wants to know that **you** understand the reasons for all variances. Please include a complete analysis to support your explanation. There are a number of examples provided in the *Practitioners' Guides** to assist you.
- 7 If the auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or you do not fully explain variances, this may incur additional costs for which the auditor will make a charge.
- 8 Please make sure that your accounting statements add up! Also please ensure that the balance carried forward from the previous year (Box 7 of 2010) equals the balance brought forward in the current year (Box 1 of 2011).
- 9 **Do not complete section 3.** The external auditor will complete it at the conclusion of their audit.

Completion checklist – 'No' answers mean you may not have met requirements		Done?
All sections	All red boxes have been completed?	
	All information requested by the external auditor has been sent with this annual return? Please refer to your notice of audit.	
Section 1	Approval by the body confirmed by signature of Chair of meeting approving the accounting statements?	
	An explanation of significant variations from last year to this year is provided?	
	Bank reconciliation as at 31 March 2011 agreed to Box 8?	
	An explanation of any difference between Box 7 and Box 8 is provided?	
Section 2	For any statement to which the response is 'no', an explanation is provided?	
Section 4	All red boxes completed by internal audit and explanations provided?	

Note: Governance and Accountability for Local Councils in England – A Practitioners' Guides, is available from NALC and SLCC representatives or Governance and Accountability for Internal Drainage Boards in England – A Practitioners' Guides, is available from the ADA at The Association of Drainage Authorities, 12 Cranes Drive, Surbiton, Surrey, KT5 8AL or from the NALC, SLCC or ADA websites - see page 1 for addresses.